EATON VANCE

Annual Report

2017

EVM Eaton Vance Management PARAMETRIC ATLANTA CAPITAL HEXAVEST Calvert

In 2017, Eaton Vance became the presenting sponsor of the Boston Pops Fireworks Spectacular. Photo: Jay Connor.

To Shareholders and Friends of Eaton Vance:

The cover of this year's annual report and the photo above convey that fiscal 2017 was a year to celebrate for Eaton Vance and our shareholders. Amid continuing challenges for the investment management industry as a whole, Eaton Vance achieved outstanding business and financial results and made notable progress advancing a number of important strategic priorities. Gross and net inflows, consolidated assets under management and consolidated revenue all reached new records, and adjusted earnings per diluted share matched the previous all-time high set in fiscal 2014. Our investment managers realized strong returns for clients across a broad range of investment mandates. At the end of December 2016, we acquired the business assets of Calvert Investment Management, Inc. (Calvert Investments), propelling Eaton Vance into a leadership position in responsible investing and contributing immediately to the Company's earnings growth. Consistent with this year's celebratory theme, in July Eaton Vance began a three-year commitment as presenting sponsor of the Boston Pops Fireworks Spectacular, America's foremost Independence Day celebration.

Reflecting the Company's strong results and the market's optimism about our future, Eaton Vance non-voting common stock rose sharply in 2017, reaching new highs in October and continuing to advance after fiscal year-end. For the 12 months ended October 31, 2017, holders of Eaton Vance stock realized a total return of 47.6 percent. This compares to an average total return of 28.9 percent over the same period for our peer group of publicly traded asset managers in the U.S. As of fiscal year-end, our stock returns also exceeded the average of peer managers by wide margins over the past three and five years.

Eaton Vance earned $2.42 per diluted share in the fiscal year ended October 31, 2017, an increase of 14 percent from $2.12 of earnings per diluted share in fiscal 2016. On an adjusted basis[1], the Company earned $2.48 per diluted share in fiscal 2017, an increase of 16 percent from $2.13 of adjusted earnings per diluted share in fiscal 2016. Fiscal 2017 adjusted earnings differed from earnings under U.S. generally accepted accounting principles to reflect $5.4 million of costs associated with refinancing a portion of the Company's debt, $3.5 million of closed-end fund structuring fees paid and a $0.5 million increase in the estimated redemption value of non-controlling interests in affiliates redeemable at other than fair value.

Amid continuing challenges for the investment management industry as a whole, Eaton Vance achieved outstanding business and financial results and made notable progress advancing a number of our most important strategic priorities.

The Company's consolidated revenue increased 14 percent to $1.5 billion in fiscal 2017, as a 19 percent increase in average managed assets more than offset lower average fee rates. Adjusting to remove closed-end fund structuring fees paid, operating expenses were up 13 percent and adjusted operating income was 17 percent higher. On an adjusted basis, the Company's operating margin increased to 31.8 percent from 31.0 percent in fiscal 2016.

Excluding performance fees, management fee rates averaged 34.5 basis points in fiscal 2017 versus 35.8 basis points in fiscal 2016, a reduction of four percent. Consistent with prior years, the decline in the Company's average fee rate reflects a shift in business mix toward lower-fee offerings and fee-rate compression in selected mandates. Performance fees contributed $0.4 million in fiscal 2017 compared to $3.4 million in fiscal 2016.

The Company had consolidated net inflows of $37.8 billion in fiscal 2017, which equates to 11 percent internal growth in managed assets (consolidated net inflows divided by beginning-of-period consolidated assets under management) and represents our 22nd consecutive year of positive net flows. This compares to net inflows of $19.3 billion and six percent internal growth in managed assets in fiscal 2016. On the basis of net contribution to management fee revenue, the Company's internal revenue growth rate was seven percent in fiscal 2017 versus one percent in fiscal 2016.

[1]See footnote 1 on page 14.

Leading contributors to the Company's fiscal 2017 net inflows included Parametric Portfolio Associates (Parametric) exposure management mandates, with net inflows of $11.5 billion, Parametric Custom Core™ equity separate accounts ($11.2 billion), Eaton Vance Management (EVM) laddered municipal and corporate bond strategies ($6.6 billion), EVM floating-rate bank loans ($6.3 billion), Parametric defensive equity mandates ($3.2 billion) and EVM global macro absolute return strategies ($2.1 billion). Each of the Company's managed asset and flow reporting categories had positive net flows for the fiscal year.

Consolidated assets under management totaled $422.3 billion on October 31, 2017, up 26 percent from $336.4 billion at the end of fiscal 2016. The year-over-year increase in consolidated managed assets reflects $37.8 billion of net inflows, market price appreciation of $38.2 billion and $9.9 billion of new managed assets gained in the Calvert Investments transaction.

Fiscal 2017 marked the 37th consecutive fiscal year that Eaton Vance has raised its regular quarterly dividend, which has grown at a compound annual rate of 17 percent over that nearly four-decade period.

Eaton Vance's long tradition of maintaining a strong financial position continued in fiscal 2017. At fiscal year-end, we held $824 million of cash, cash equivalents and short-term debt securities and had $337 million of seed capital investments, against debt obligations of $619 million. During the fiscal year, we refinanced $250 million aggregate principal amount of 6.5 percent senior notes due October 2017 with $300 million of 3.5 percent senior notes due April 2027, reducing the Company's interest expense by nearly $6 million annually.

In October, our board of directors voted to increase the Company's quarterly dividend by 11 percent to an annual rate of $1.24 per share. The increase marked the 37th consecutive fiscal year that Eaton Vance has raised its regular quarterly dividend, which has grown at a compound annual rate of 17 percent over that nearly four-decade period.

In last year's report, I outlined Eaton Vance's most important strategic priorities for the upcoming fiscal 2017. Looking forward now to fiscal 2018, our focus is mostly the same. That should not be a surprise, as consistency and continuity have long been hallmarks of Eaton Vance. Our major priorities for fiscal 2018 include: (a) capitalizing on investment performance and distribution strengths to increase sales and gain market share in active strategies; (b) extending the success of our Custom Beta lineup of rules-based separately managed accounts; (c) becoming a more global company by building our investment and distribution capabilities outside the U.S.; (d) positioning NextShares™ to become the vehicle of choice for U.S. investors in actively managed funds; and (e) leveraging the Calvert Investments acquisition to lead the growth of responsible investing. All but the last of these priorities are carryovers from last year.

Although active managers as a whole remain on the losing end in the competition against passive, we continue to see opportunities to grow in active management where we have strong performance. At the end of the fiscal year, we had 68 funds with overall Morningstar ratings of four or five stars for at least one class of shares, including 30 five star-rated funds. As measured by total return, as of October 31, roughly half of our mutual fund assets ranked in the top quartile of their Morningstar peer groups over the past three and five years, and 75 percent ranked above median. On an overall basis, our active investment strategies realized net inflows of $9.4 billion in fiscal 2017, which equates to five percent internal growth in managed assets. Maintaining growth in active strategies will continue to be a major area of focus in fiscal 2018. With a market share of less than one percent, we can certainly grow our active business even if the overall market for active management remains in decline.

Different from most traditional active managers, Eaton Vance has large and growing businesses in rules-based passive investments. These consist primarily of Parametric's exposure management, Custom Core equity and centralized portfolio management offerings, and EVM's laddered municipal and corporate bond strategies. On an overall basis, our passive strategies account for slightly less than half of total consolidated managed assets and approximately 15 percent of consolidated management fee revenue. Eaton Vance sales teams frequently market Parametric Custom Core equity separately managed accounts in conjunction with EVM bond ladders and refer to these collectively as Custom Beta. In fiscal 2017, our total managed assets in Custom Beta strategies offered as retail and high-net-worth separate accounts increased 57 percent to $68.3 billion, with net inflows of $17.9 billion. The success we continue to achieve with Custom Beta reflects both the growing appeal of passive investing and the potential advantages our separate account strategies can offer over index mutual funds and exchange-traded funds (ETFs). These potential advantages may include more favorable tax treatment, due to the ability to fund positions in kind and to pass through harvested tax losses to offset client gains on other investments. Also different from index funds and ETFs, Custom Beta strategies can be customized to reflect client-specified responsible investing criteria and desired portfolio tilts and exclusions. On an overall basis, many advisors and their clients are finding Custom Beta separate accounts to offer compelling benefits over alternative approaches to passive investing. Investing in technology and service enhancements to support the continued rapid growth of these distinctive strategies remains a key focus for fiscal 2018.

Although active managers as a whole remain on the losing end in the competition against passive, we continue to see opportunities to grow in active management where we have strong performance.

While still a small part of our business, our international footprint continues to expand. In addition to owning 49 percent of Montreal-based global equity manager Hexavest, we operate internationally from offices in London, Sydney, Singapore and a new location opened earlier this year in Tokyo. In London, we now have a staff of nearly 50 people in investment, distribution and operations functions, up from just a handful two years ago. Our focus on growing outside the U.S. began to pay off in fiscal 2017, as assets managed for non-U.S. clients contributed $5.1 billion to consolidated net inflows, equating to 30 percent internal growth in managed assets. Leading contributors to international growth included EVM floating-rate bank loans and Parametric exposure management mandates. Japan is our largest and fastest-growing international market. Still representing less than six percent of consolidated managed assets, we see lots of room for Eaton Vance to expand outside the U.S.

NextShares are a new type of investment fund first launched in early 2016, combining proprietary active management with the conveniences and potential performance and tax advantages of exchange-traded products. Our NextShares Solutions subsidiary holds patents and other intellectual property rights relating to NextShares, and is seeking to commercialize NextShares by entering into licensing and service agreements with fund companies. As of the end of the fiscal 2017, three Eaton Vance-sponsored NextShares funds and five NextShares funds offered by third-party managers were available for purchase. To date, the commercial development of NextShares has been constrained by limited distribution access. In November 2017, UBS and NextShares Solutions announced the availability of NextShares to UBS's U.S. financial advisors through its brokerage and Strategic Advisor programs. Launching NextShares at UBS brings this innovative fund structure to a large audience of financial advisors and their clients, for the first time providing our distribution team a significant opportunity to promote NextShares. We expect the number of NextShares funds to be introduced by Eaton Vance and other sponsors to ramp up over coming months. Our goal remains to position NextShares to become the fund vehicle of choice for active investing in the U.S.

Our focus on growing outside the U.S. began to pay off in fiscal 2017, as assets managed for non-U.S. clients contributed $5.1 billion to consolidated net inflows, equating to 30 percent internal growth in managed assets.

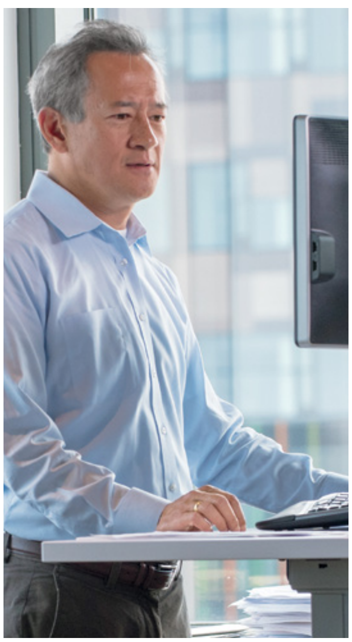
One of the most noteworthy events of fiscal 2017 was our acquisition in December of the assets of Calvert Investments and the addition of the Calvert Funds to our product lineup. The Calvert Funds are one of the largest and most diversified families of responsibly invested mutual funds, encompassing actively and passively managed equity, income and asset allocation strategies managed in accordance with the Calvert Principles for Responsible Investment or other responsible investment criteria. Responsible investing continues to be a leading trend in asset management, appealing to the growing universe of investors who seek both financial returns and positive societal benefits from their investments. Our objective for the new Calvert Research and Management (Calvert) is to apply Eaton Vance's management and distribution resources to Calvert's 35-year heritage as a leader in responsible investing to build a larger and more impactful business. Across retail and institutional, active and passive, equity, income and multi-asset, we see significant potential for Calvert to grow from current levels. Although only beginning to scratch the surface of identified opportunities, Calvert's total managed assets, including amounts subadvised by other Eaton Vance affiliates, increased from $11.9 billion at acquisition to $12.9 billion at fiscal year-end. Making further progress realizing Calvert's potential is an important goal for fiscal 2018.

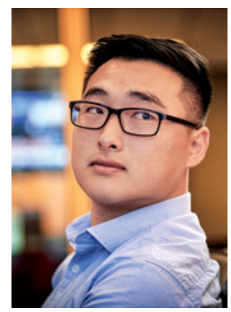
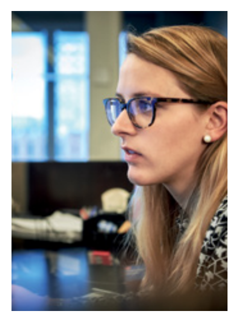
Our objective for the new Calvert Research and Management is to apply Eaton Vance's management and distribution resources to Calvert's 35-year heritage as a leader in responsible investing to build a larger and more impactful business.

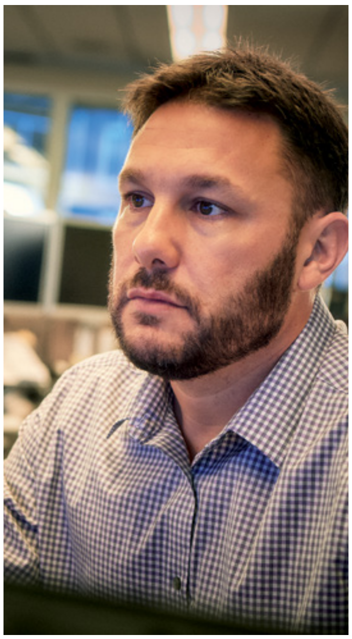
In closing, I want to congratulate and thank my 1,638 colleagues whose names are listed on the back of this report for making fiscal 2017 a year to celebrate at Eaton Vance. My optimism about the Company's future is based on deep confidence that they can and will continue to deliver outstanding results for the clients, business partners and shareholders of Eaton Vance.

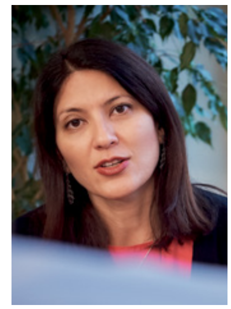
Sincerely,

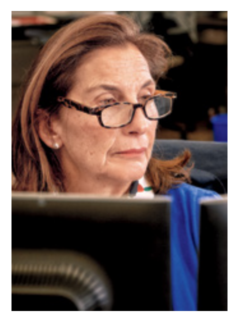
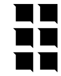
Thomas E. Faust Jr.
Chairman, Chief Executive Officer and President



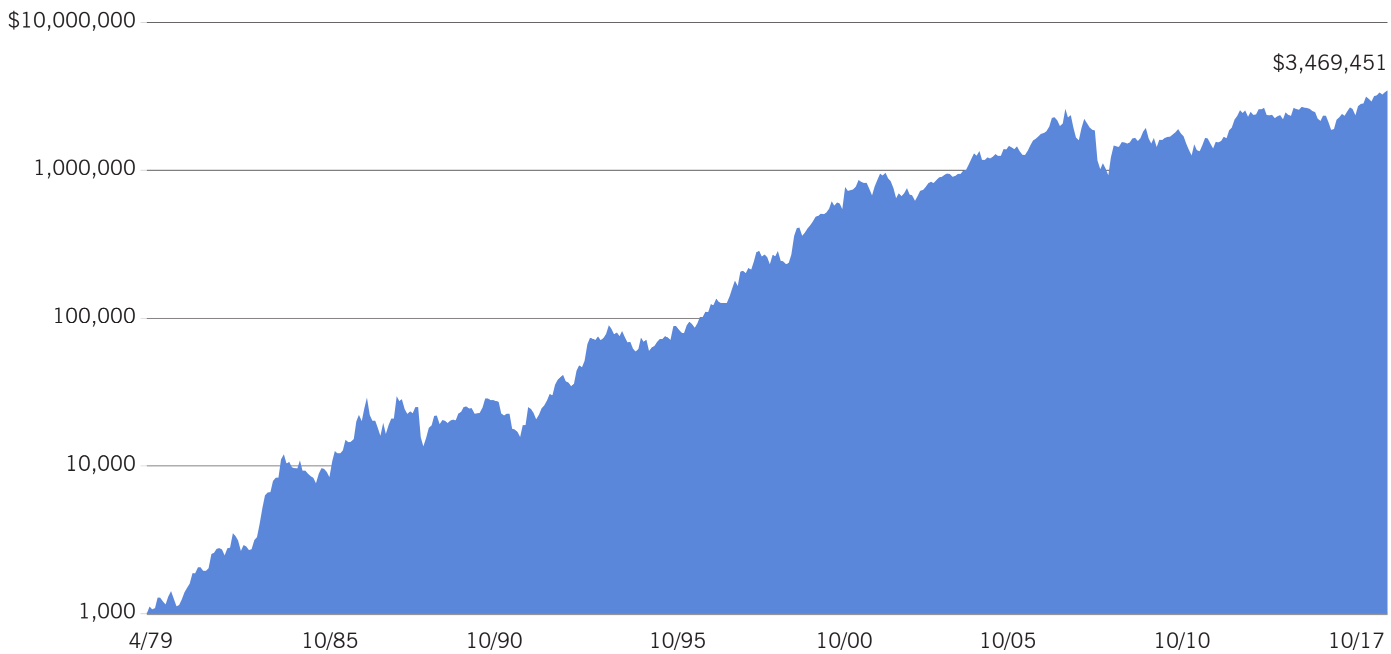



Historical Stock Returns

Eaton Vance Corp. was formed by the merger on April 30, 1979 of two Boston-based investment managers: Eaton & Howard, Inc., founded in 1924, and Vance, Sanders & Company, organized in 1934.

Eaton Vance Corp.
Value of $1,000 invested April 30, 1979



Assumes reinvestment of all dividends and proceeds of 1995 spinoff of Investors Financial Services Corp.
Sources: FactSet, Eaton Vance.

Best-Performing Publicly Traded U.S. Stocks

April 30, 1979 to October 31, 2017

Rank	Company	Annual Return
1	Eaton Vance Corp.	23.6%
2	Helen of Troy Limited	22.2
3	Hasbro, Inc.	22.0
4	Progressive Corporation	21.7
5	Kansas City Southern	21.6
	Standard & Poor's 500 Index	11.8

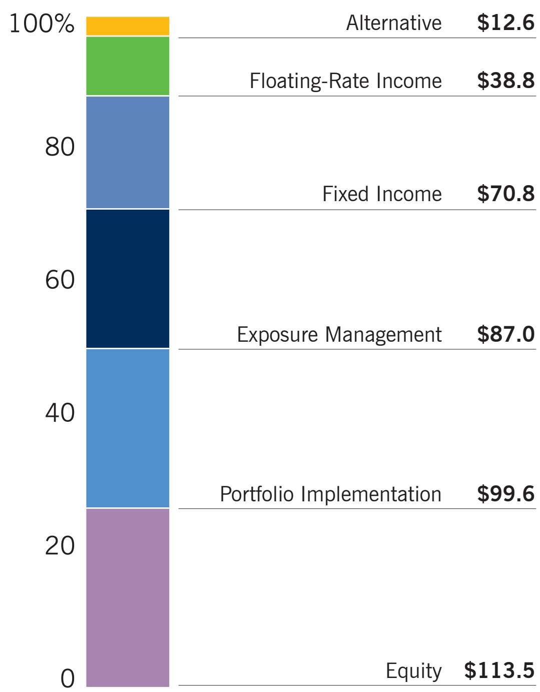
Total return with dividends reinvested. Source: FactSet.

Assets under Management

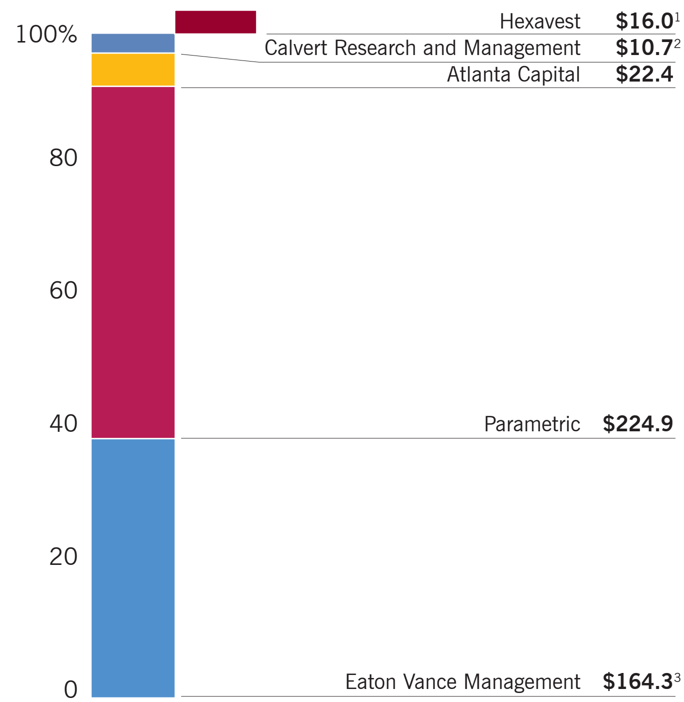
as of October 31, 2017

Consolidated Total: $422.3 billion

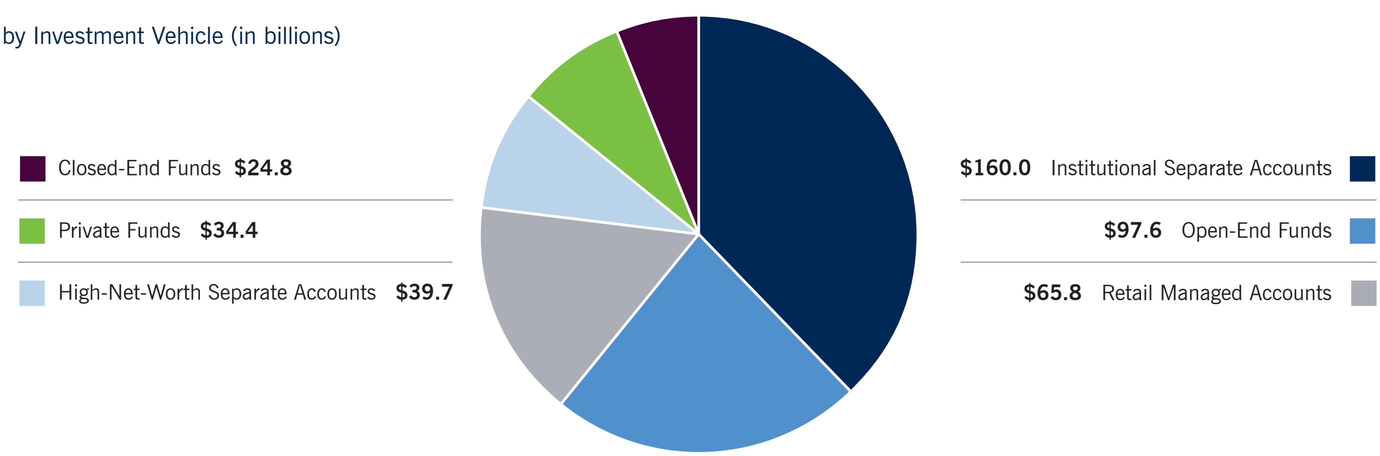
by Investment Mandate (in billions)



by Investment Affiliate (in billions)



by Investment Vehicle (in billions)



[1]Eaton Vance holds a 49% interest in Hexavest Inc., a Montreal-based investment adviser. Other than Eaton Vance-sponsored funds for which Hexavest is adviser or subadviser, the managed assets of Hexavest are not included in Eaton Vance's consolidated totals.

[2]Includes $2.4 billion of Calvert-sponsored funds managed by third-party advisers under Calvert supervision; excludes $2.1 billon of managed assets of the Calvert Equity Portfolio, for which Atlanta Capital serves as subadviser.

[3]Includes managed assets of Eaton Vance Investment Counsel, Eaton Vance Trust Company and Boston Management and Research. Also includes $2.1 billion of Eaton Vance-sponsored funds and accounts managed by third-party advisers under Eaton Vance supervision.

Eaton Vance Investment Affiliates

Our principal investment affiliates, Eaton Vance Management, Parametric, Atlanta Capital, Calvert Research and Management, and Hexavest, offer a range of distinctive strategies. Investment approaches include bottom-up and top-down fundamental active

EVM Eaton Vance Management

History dating to 1924 | AUM: $164.3 billion[1]

Fundamental active managers: In-depth fundamental analysis is the primary basis for our investment decision-making across a broad range of equity, income and alternative strategies.

Equity

- Dividend/Global Dividend
- Emerging/Frontier Markets
- Equity Option
- Global Developed
- Global ex U.S.
- Global ex U.S. Small-Cap
- Global Small-Cap
- Health Care
- Large-Cap Core
- Large-Cap Growth
- Large-Cap Value
- Multi-Cap Growth
- Real Estate
- Small-Cap
- Small/Mid-Cap
- Tax-Managed

Alternative

- Commodity
- Currency
- Global Macro
- Hedged Equity
- Multi-Strategy Absolute Return

Multi-Asset

- Asset Allocation
- Balanced
- Global Diversified Income

Floating-Rate Income

- Floating-Rate Loan

PARAMETRIC

Founded in 1987 | AUM: $224.9 billion

Quantitative, systematic investment managers: Leading systematic asset management delivering elevated, transparent, repeatable outcomes by bringing clarity and accessibility to investment science.

Equity

- Dividend
- Emerging Markets
- Global
- Global ex U.S.
- Responsible
- Tax-Managed
- U.S.

Options

- Absolute Return
- Covered Calls
- Defensive Equity
- Dynamic Hedged Equity
- Put Selling

Alternative

- Commodity

Income

- Enhanced Income

Implementation

- Centralized Portfolio Management
- Custom Core™

Exposure Management

- Policy Overlay Services

Calvert

History dating to 1976* | AUM: $10.7 billion[2]

Global leaders in Responsible Investing: Responsibly managed equity, income and multi-asset strategies.

Active Equity

- Global ex U.S.
- Global ex U.S. Small/Mid-Cap
- Large-Cap
- Mid-Cap
- Small-Cap

Equity Index

- Global Energy Solutions
- Global ex U.S.
- Global Water
- U.S. Large-Cap Core
- U.S. Large-Cap Growth
- U.S. Large-Cap Value
- U.S. Mid-Cap Core

Alternative

- Absolute Return Bond

Multi-Asset

- Asset Allocation
- Balanced

Floating-Rate Income

- Floating-Rate Loan

Taxable Fixed Income

- Core/Core Plus
- Green Bond
- High Yield
- Long Duration
- Short Duration/Ultra-Short

Tax-Exempt Fixed Income

- Responsible Municipal

[1]Includes managed assets of Eaton Vance Investment Counsel, Eaton Vance Trust Company and Boston Management and Research. Also includes Eaton Vance-sponsored funds and accounts managed by third-party advisers under Eaton Vance supervision.

[2]Includes Calvert-sponsored funds and accounts managed by third-party advisers under Calvert supervision.

*On December 30, 2016, Calvert Research and Management (Calvert), a newly formed Eaton Vance subsidiary, completed its acquisition of substantially all of the business assets of Calvert Investment Management, Inc., which was founded in 1976 and in 1982 became the first fund family to launch a mutual fund to avoid investment in companies that did business in apartheid-era South Africa.

management, rules-based systematic alpha investing, implementation of passive strategies and responsible investing. This broad diversification provides us the opportunity to address a wide range of investor needs and to offer products and services suited for various market environments.

Taxable Fixed Income

Cash Management	Mortgage-Backed Securities
Core Bond/Core Plus	Multisector
Emerging-Markets Debt	Preferred Securities
High Yield	Short Duration
Inflation-Linked	Taxable Municipal
Investment-Grade Corporate	
Laddered Corporate	

Tax-Advantaged/ Municipal Income

Laddered Municipal	Opportunistic Municipal
Municipal Income	Tax-Advantaged Bond
Floating Rate	
High Yield	
National	
State Specific	

Atlanta Capital

Founded in 1969 | AUM: $22.4 billion

Specialists in high-quality investing: Actively managed high-quality U.S. stock and bond portfolios constructed using bottom-up fundamental analysis.

Equity	Fixed Income
Large-Cap Growth	Core Bond
Mid-Large Cap	Intermediate Duration
Responsible	Short Duration
Small-Cap	
SMID-Cap	

Hexavest

Founded in 2004 | AUM: $16.0 billion[3]

Top-down global managers: Global equity strategies combining fundamental research and proprietary quantitative models.

Equity

- Canadian
- Emerging Markets
- Global – All Country
- Global – Developed
- Global ex U.S.

The following external managers subadvise one or more Eaton Vance- or Calvert-sponsored mutual funds:

Eaton Vance Funds

- BMO Global Asset Management (Asia)
- Goldman Sachs Asset Management
- Richard Bernstein Advisors
- Oak Tree Capital Management

Calvert Funds

- Ameritas Investment Partners
- Hermes Investment Management
- Milliman Financial Risk Management

Eaton Vance and affiliates as of 10/31/2017.

[3]Eaton Vance holds a 49% interest in Hexavest Inc., a Montreal-based investment adviser. Other than Eaton Vance-sponsored funds for which Hexavest is adviser or subadviser, the managed assets of Hexavest are not included in Eaton Vance's consolidated totals.

Key Statistics

Fiscal Year Ended October 31, (in $ millions, except per share and employee amounts)	2017	2016	% Change
Ending assets under management	422,316	336,380	26%
Average assets under management	382,392	320,860	19%
Gross inflows	168,251	125,057	35%
Net inflows	37,834	19,304	96%
Revenue	1,529	1,343	14%
Operating income	483	414	17%
Operating income margin	31.6%	30.8%	3%
Net income attributable to Eaton Vance Corp. shareholders	282	241	17%
Adjusted net income attributable to Eaton Vance Corp. shareholders[1]	288	243	19%
Earnings per diluted share	2.42	2.12	14%
Adjusted earnings per diluted share[1]	2.48	2.13	16%
Dividends declared per share	1.15	1.075	7%
Cash and cash equivalents	611	424	44%
Debt[2,3]	619	574[2]	8%
Employees	1,638	1,510	8%
Market capitalization	5,959	3,981	50%

Eaton Vance Corp. consolidated totals.

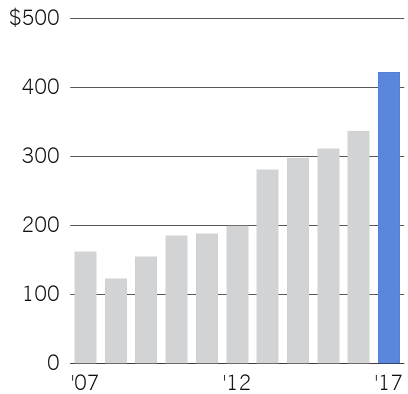
[1]Although the Company reports its financial results in accordance with U.S. generally accepted accounting principles (U.S. GAAP), management believes that certain non-U.S. GAAP financial measures, specifically, adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share, while not a substitute for U.S. GAAP financial measures, may be effective indicators of the Company's performance over time. Non-U.S. GAAP financial measures should not be construed to be superior to U.S. GAAP measures. In calculating these non-U.S. GAAP financial measures, net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share are adjusted to exclude items management deems non-operating or non-recurring in nature or otherwise outside the ordinary course of business. These adjustments may include the add back of adjustments made in connection with changes in the estimated redemption value of non-controlling interests in our affiliates redeemable at other than fair value (non-controlling interest value adjustments) and, when applicable, other items such as closed-end fund structuring fees, special dividends, costs associated with retiring debt and tax settlements. Management and our board of directors, as well as certain of our outside investors, consider these adjusted numbers a measure of the Company's underlying operating performance. Management believes adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share are important indicators of our operations because they exclude items that may not be indicative of, or are unrelated to, our core operating results, and may provide a useful baseline for analyzing trends in our underlying business. Our use of these adjusted numbers, including reconciliations of net income attributable to Eaton Vance Corp. shareholders to adjusted net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share to adjusted earnings per diluted share, is discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included within this Annual Report.

[2]In fiscal 2017, the Company adopted Accounting Standard Update 2015-03, which requires certain debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. Total assets and debt were each reduced by $2.2 million as of October 31, 2016 to reflect the reclassification of debt issuance costs from other assets to debt.

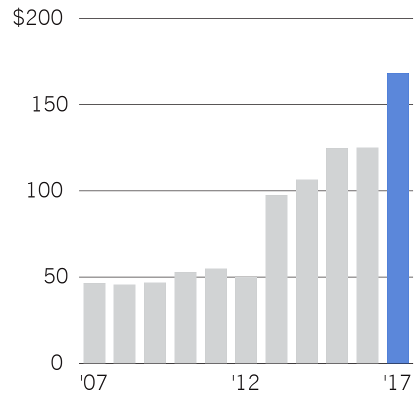
[3]In fiscal 2017, the Company issued $300 million of 3.5 percent Senior Notes due April 2027 and used the net proceeds from the issuance to redeem the remaining $250 million aggregate principal amount of its 6.5 percent Senior Notes due October 2017. The Company recognized a loss on extinguishment of debt totaling $5.4 million in conjunction with the retirement in fiscal 2017.

Performance Trends

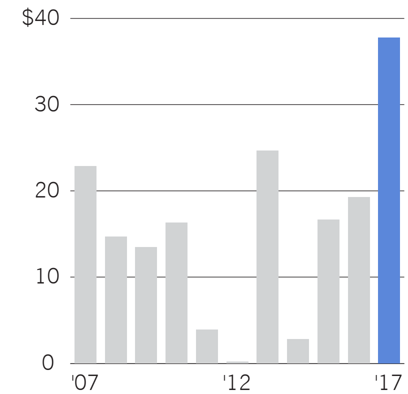
Assets under Management
(in billions)



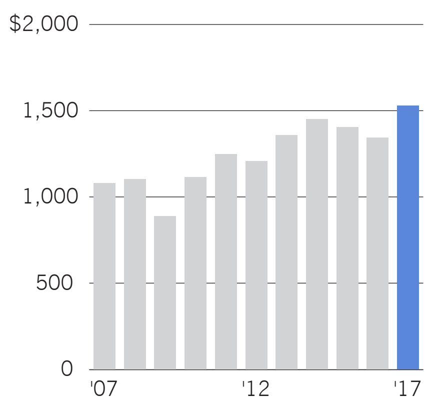
Gross Inflows
(in billions)



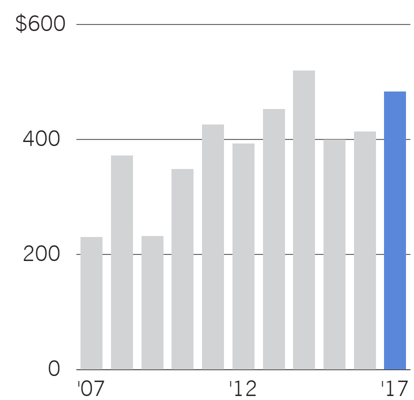
Net Inflows
(in billions)



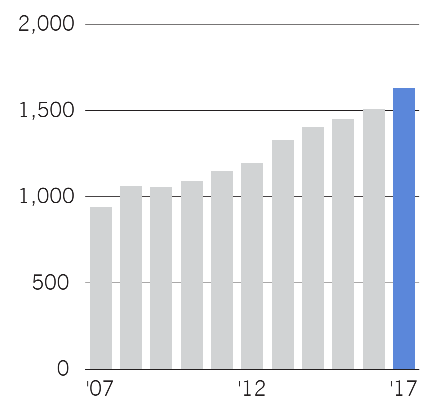
Revenue
(in millions)



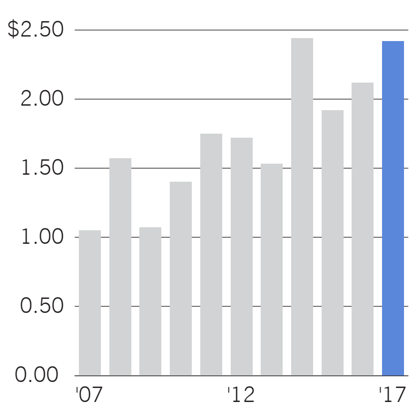
Operating Income
(in millions)



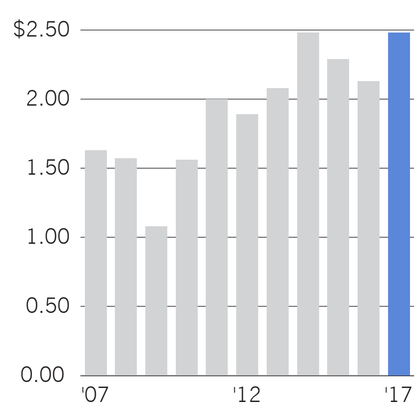
Employees



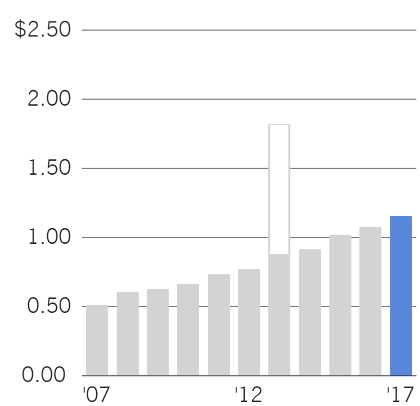
Earnings per Diluted Share



Adjusted Earnings per Diluted Share[1]



Dividends per Share[2]



Eaton Vance Corp. consolidated totals.

[1]See footnote 1 on previous page.
[2]The Company declared and paid a special dividend of $1.00 per share in fiscal 2013.

Financial Review

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Five-Year Financial Summary

The following table contains selected financial data for the last five years. This data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Consolidated Financial Statements and Notes to Consolidated Financial Statements included elsewhere in this Annual Report.

Financial Highlights

	For the Years Ended October 31,				
(in thousands, except per share data)	**2017**	**2016**	**2015**	**2014**	**2013**
Income Statement Data:					
Total revenue	$ 1,529,010	$ 1,342,860	$ 1,403,563	$ 1,450,294	$ 1,357,503
Operating Income[(1)]	482,758	414,268	400,447	519,857	453,007
Net income[(1)]	306,373	264,757	238,191	321,164	230,426
Net income attributable to non-controlling and other beneficial interests[(2)]	24,242	23,450	7,892	16,848	36,585
Net income attributable to Eaton Vance Corp. shareholders[(1)]	282,131	241,307	230,299	304,316	193,841
Adjusted net income attributable to Eaton Vance Corp. shareholders[(3)]	288,187	242,908	274,990	309,627	262,942
Balance Sheet Data:					
Total assets[(4)(5)]	$ 2,330,901	$ 1,730,382	$ 2,113,737	$ 1,856,814	$ 2,403,473
Debt[(5)(6)]	618,843	571,773	571,077	570,382	569,723
Redeemable non-controlling interests (temporary equity)	250,823	109,028	88,913	107,466	74,856
Total Eaton Vance Corp. shareholders' equity	1,011,396	703,789	620,231	655,176	669,784
Non-redeemable non-controlling interests	864	786	1,725	2,305	1,755
Total permanent equity	1,012,260	704,575	621,956	657,481	671,539
Per Share Data:					
Earnings per share:					
Basic	$ 2.54	$ 2.20	$ 2.00	$ 2.55	$ 1.60
Diluted	2.42	2.12	1.92	2.44	1.53
Adjusted diluted[(3)]	2.48	2.13	2.29	2.48	2.08
Cash dividends declared	1.150	1.075	1.015	0.910	1.820

(1) *Operating income, net income and net income attributable to Eaton Vance Corp. shareholders reflect a one-time payment of $73.0 million to terminate service and additional compensation arrangements in place with a major distribution partner for certain Eaton Vance closed-end funds in fiscal 2015.*

(2) *Net income attributable to non-controlling and other beneficial interests reflects an increase (decrease) of $0.5 million, $0.2 million, $(0.2) million, $5.3 million and $24.3 million in the estimated redemption value of redeemable non-controlling interests in our majority-owned subsidiaries in fiscal 2017, 2016, 2015, 2014 and 2013, respectively. Net income attributable to non-controlling and other beneficial interests also includes net income (loss) of $9.8 million, $(5.8) million, $(4.1) million and $(8.5) million, respectively, in fiscal 2016, 2015, 2014 and 2013 related to certain consolidated collateralized loan obligation (CLO) entities and borne by other beneficial interest holders of these consolidated CLO entities. There were no other beneficial interest holders of the warehousing phase CLO entity consolidated by the Company at the end of fiscal 2017.*

(3) *Although the Company reports its financial results in accordance with U.S. generally accepted accounting principles (U.S. GAAP), management believes that certain non-U.S. GAAP financial measures, specifically, adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share, while not a substitute for U.S. GAAP financial measures, may be effective indicators of the Company's performance over time. Non-U.S. GAAP financial measures should not be construed to be superior to U.S. GAAP measures. In calculating these non-U.S. GAAP financial measures, net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share are adjusted to exclude items management deems non-operating or non-recurring in nature or otherwise outside the ordinary course of business. These adjustments may include the add back of adjustments made in connection with changes in the estimated redemption value of non-controlling interests in our affiliates redeemable at other than fair value (non-controlling interest value adjustments) and, when applicable, other items such as closed-end fund structuring fees, special dividends, costs associated with retiring debt and tax settlements. Management and our Board of Directors, as well as certain of our outside investors, consider these adjusted numbers a measure of the Company's underlying operating performance. Management believes adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share are important indicators of*

our operations because they exclude items that may not be indicative of, or are unrelated to, our core operating results, and may provide a useful baseline for analyzing trends in our underlying business. Our use of these adjusted numbers, including reconciliations of net income attributable to Eaton Vance Corp. shareholders to adjusted net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share to adjusted earnings per diluted share, is discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included within this Annual Report.

(4) *Total assets on October 31, 2017, 2015, 2014 and 2013 include $31.3 million, $467.1 million, $156.5 million and $728.1 million of assets held by consolidated CLO entities, respectively. The Company did not consolidate any CLO entities as of October 31, 2016.*

(5) *In fiscal 2017, the Company adopted Accounting Standard Update 2015-03, which requires certain debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. Total assets and debt were each reduced by $2.2 million, $2.7 million, $3.3 million and $3.8 million as of October 31, 2016, 2015, 2014 and 2013, respectively, to reflect the reclassification of debt issuance costs from other assets to debt.*

(6) *In fiscal 2017, the Company issued $300 million of 3.5 percent Senior Notes due April 2027 and used the net proceeds from the issuance to redeem the remaining $250 million aggregate principal amount of its 6.5 percent Senior Notes due October 2017 (2017 Senior Notes). The Company recognized a loss on extinguishment of debt totaling $5.4 million in conjunction with the retirement in fiscal 2017. In fiscal 2013, the Company tendered for and repurchased $250 million of its 2017 Senior Notes and issued $325 million of 3.625 percent Senior Notes due June 2023. The Company recognized a loss on extinguishment of debt totaling $53.0 million in conjunction with the repurchase in fiscal 2013.*

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Our principal business is managing investment funds and providing investment management and advisory services to high-net-worth individuals and institutions. Our core strategy is to develop and sustain management expertise across a range of investment disciplines and to offer leading investment products and services through multiple distribution channels. In executing this strategy, we have developed broadly diversified investment management capabilities and a highly functional marketing, distribution and customer service organization. We measure our success as a Company based on investment performance delivered, reputation in the marketplace, progress achieving strategic objectives, employee development and satisfaction, business and financial results, and shareholder value created.

We conduct our investment management and advisory business through wholly- and majority-owned investment affiliates, which include: Eaton Vance Management, Parametric Portfolio Associates LLC (Parametric), Atlanta Capital Management Company, LLC (Atlanta Capital) and Calvert Research and Management (Calvert). We also offer investment management advisory services through minority-owned Hexavest Inc. (Hexavest).

Through Eaton Vance Management, Atlanta Capital, Calvert and our other affiliates, we manage active equity, income and alternative strategies across a range of investment styles and asset classes, including U.S. and global equities, floating-rate bank loans, municipal bonds, global income, high-yield and investment grade bonds. Through Parametric, we manage a range of engineered alpha strategies, including systematic equity, systematic alternatives and managed options strategies. Through Parametric, we also provide portfolio implementation and overlay services, including tax-managed and non-tax-managed Custom Core equity strategies, centralized portfolio management of multi-manager portfolios and customized exposure management services. We also oversee the management of, and distribute, investment funds sub-advised by unaffiliated third-party managers, including global, emerging market and regional equity and asset allocation strategies.

Our breadth of investment management capabilities supports a wide range of products and services offered to fund shareholders, retail managed account investors, institutional investors and high-net-worth clients. Our equity strategies encompass a diversity of investment objectives, risk profiles, income levels and geographic representation. Our income investment strategies cover a broad duration, geographic representation and credit quality range and encompass both taxable and tax-free investments. We also offer a range of alternative investment strategies, including commodity- and currency-based investments and a spectrum of absolute return strategies. Although we manage and distribute a wide range of investment products and services, we operate in one business segment, namely as an investment adviser to funds and separate accounts. As of October 31, 2017, we had $422.3 billion in consolidated assets under management.

We distribute our funds and retail managed accounts principally through financial intermediaries. We have broad market reach, with distribution partners including national and regional broker-dealers, independent broker-dealers, registered investment advisors, banks and insurance companies. We support these distribution partners with a team of approximately 120 sales professionals covering U.S. and international markets.

We also commit significant resources to serving institutional and high-net-worth clients who access investment management services on a direct basis and through investment consultants. Through our wholly-owned affiliates and consolidated subsidiaries, we manage investments for a broad range of clients in the institutional and high-net-worth marketplace in the U.S. and internationally, including corporations, sovereign wealth funds, endowments, foundations, family offices and public and private employee retirement plans.

Our revenue is derived primarily from management, distribution and service fees received from Eaton Vance-, Parametric- and Calvert-branded funds and management fees received from separate accounts. Our fees are based primarily on the value of the investment portfolios we manage and fluctuate with changes in the total value and mix of assets under management. As a matter of course, investors in our sponsored open-end funds and separate accounts have the ability to redeem their investments at any time, without prior notice, and there are no material restrictions that would prevent them from doing so. Our major expenses are employee compensation, distribution-related expenses, service fee expense, facilities expense and information technology expense.

Our discussion and analysis of our financial condition, results of operations and cash flows is based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to goodwill and intangible assets, income taxes, investments and stock-based compensation. We base our estimates on historical experience and on various assumptions that we believe to be reasonable under current circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

Business Developments

We are pursuing five primary strategic priorities to support our long-term growth. Those priorities are: (1) capitalizing on our investment performance leadership and distribution strengths to grow sales and gain market share in actively managed investment strategies; (2) extending the success we have had with our Custom Beta lineup of rules-based separately managed accounts; (3) becoming a more global company by building our investment and distribution capabilities outside the United States; (4) positioning NextShares to become the vehicle of choice for investors in actively managed funds in the U.S; and (5) leveraging our Calvert acquisition to lead the growth of responsible investing;.

As of October 31, 2017, we had 68 U.S. mutual funds rated four or five stars by Morningstar™ for at least one class of shares, including 30 funds rated five stars for at least one class of shares. Although actively managed strategies as a whole are losing share to passive investments, we believe that top-performing active strategies can continue to grow, particularly in asset classes where the competition versus passive alternatives is less acute. In fiscal 2017, net flows into our active strategies totaled $9.3 billion.

In fiscal 2017, we continued to experience strong growth in our Custom Beta strategies, which include the Parametric Custom Core equity and Eaton Vance laddered municipal and corporate bond separate account offerings to the retail and high-net-worth markets. Compared to index mutual funds and exchange-traded funds, rules-based separately managed accounts can provide clients with greater ability to tailor their market exposures to achieve better tax outcomes and to reflect client-specified responsible investing criteria and desired portfolio tilts and exclusions. In fiscal 2017, net inflows into our Custom Beta strategies offered as retail managed accounts and high-net-worth separate accounts totaled $17.9 billion.

Outside the United States, the Company continues to expand investment staff and commit additional client service and distribution resources to support business growth. On February 1, 2017, Eaton Vance Asia Pacific opened a Tokyo-based representative office to provide relationship management and client service support to clients in Japan and other parts of Asia. In fiscal 2017, the Company's net inflows from clients outside the United States totaled $5.1 billion.

Over the past several years, the Company has committed significant resources toward achieving commercial success of its NextShares fund structure. In fiscal 2017, NextShares continued to progress toward broad market availability. As of the end of fiscal 2017, eight NextShares funds from three different fund families were available in the marketplace. On November 20, 2017, together with UBS Financial Services Inc., we announced the availability of NextShares through the UBS brokerage platforms and UBS Strategic Advisor, a non-discretionary advisory program, which the Company believes will stimulate growth in NextShares managed assets beginning in fiscal 2018.

On December 30, 2016, we completed the purchase of substantially all of the business assets of Calvert Investments. The Calvert Funds are one of the largest and most diversified families of responsibly invested mutual funds, encompassing actively and passively managed equity, fixed income and asset allocation strategies managed in accordance with the Calvert Principles for Responsible Investment (Calvert Principles) or other responsible investment criteria. Responsible investing is a leading trend in asset management, appealing to the growing universe of investors who seek both financial returns and positive societal impact from their investments. The Calvert Funds are now being offered through EVD, with greatly expanded market reach.

In developments related to Hexavest, Eaton Vance has elected to maintain the Company's ownership interest at 49 percent. On December 11, 2017, we notified the employee-owners of Hexavest that we would not be exercising our option to purchase an additional 26 percent interest under the terms of the option agreement entered into when we acquired our Hexavest position in 2012. After careful review, we concluded that Hexavest's current ownership and governance model are most conducive to their business and investment success at this time. We will continue to work with Hexavest as a major shareholder and as Hexavest's exclusive distribution partner for non-Canadian markets.

Consolidated Assets under Management

Prevailing equity and income market conditions and investor sentiment affect the sales and redemptions of our investment products, managed asset levels, operating results and the recoverability of our investments. During fiscal 2017, the S&P 500 Index, a broad measure of U.S. equity market performance, had total returns of 22.0 percent and the MSCI Emerging Market Index, a broad measure of emerging market equity performance, had total returns of 24.0 percent. Over the same period, the Barclays U.S. Aggregate Bond Index, a broad measure of U.S. bond market performance, had total returns of 0.8 percent.

Consolidated assets under management of $422.3 billion on October 31, 2017 increased $85.9 billion, or 26 percent, from the $336.4 billion of consolidated assets under management on October 31, 2016. The year-over-year increase in consolidated assets under management reflects net inflows of $37.8 billion, market appreciation in managed assets of $38.2 billion, and $9.9 billion of new managed assets gained in the acquisition of the business assets of Calvert Investment Management, Inc. (Calvert Investments). Consolidated net inflows of $37.8 billion in fiscal 2017 represent 11 percent internal growth in managed assets (consolidated net inflows divided by beginning of period consolidated assets under management). For comparison, the Company had consolidated net inflows of $19.3 billion and $16.7 billion in fiscal 2016 and 2015, respectively, representing 6 percent internal growth in managed assets in both fiscal 2016 and 2015. Average consolidated assets under management of $382.4 billion for the year ended October 31, 2017 increased $61.5 billion, or 19 percent, from the $320.9 billion of average consolidated assets under management for the fiscal year ended October 31, 2016.

The following tables summarize our consolidated assets under management by investment mandate, investment vehicle and investment affiliate as of October 31, 2017, 2016 and 2015. Within the investment mandate table, the "Portfolio implementation" category consists of Parametric's Custom Core equity strategies and centralized portfolio management services, and the "Exposure management" category consists of Parametric's futures- and options-based customized exposure management services.

Consolidated Assets under Management by Investment Mandate [(1)]

	October 31,						2017	2016
(in millions)	2017	% of Total	2016	% of Total	2015	% of Total	vs. 2016	vs. 2015
Equity[(2)(3)]	$ 113,472	27%	$ 89,981	27%	$ 89,890	29%	26%	0%
Fixed income[(3)(4)]	70,797	17%	60,607	18%	52,465	17%	17%	16%
Floating-rate income[(3)]	38,819	9%	32,107	10%	35,534	11%	21%	-10%
Alternative[(3)]	12,637	3%	10,687	3%	10,289	3%	18%	4%
Portfolio implementation	99,615	23%	71,426	21%	59,487	19%	39%	20%
Exposure management	86,976	21%	71,572	21%	63,689	21%	22%	12%
Total	$ 422,316	100%	$ 336,380	100%	$ 311,354	100%	26%	8%

(1) Consolidated Eaton Vance Corp. See table on page 29 for directly managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.
(2) Includes balanced and multi-asset mandates.
(3) In fiscal 2017, the Company reclassified certain managed assets among investment mandates. Prior years' amounts have been revised for comparability purposes. The reclassification does not affect total consolidated assets under management for any period.
(4) Includes cash management mandates.

Equity assets under management included $38.1 billion, $31.4 billion and $31.7 billion of assets managed for after-tax returns on October 31, 2017, 2016 and 2015, respectively. Portfolio implementation assets under management included $70.2 billion, $48.5 billion and $40.0 billion of assets managed for after-tax returns on October 31, 2017, 2016 and 2015, respectively. Fixed income assets included $40.6 billion, $36.1 billion and $30.3 billion of municipal income assets on October 31, 2017, 2016 and 2015, respectively.

Consolidated Assets under Management by Investment Vehicle[(1)]

	October 31,						2017	2016
		% of		% of		% of	vs.	vs.
(in millions)	2017	Total	2016	Total	2015	Total	2016	2015
Open-end funds[(2)]	$ 97,601	23%	$ 74,721	22%	$ 74,838	24%	31%	0%
Closed-end funds[(3)]	24,816	6%	23,571	7%	24,449	8%	5%	-4%
Private funds[(4)]	34,436	8%	27,430	8%	26,647	8%	26%	3%
Institutional separate accounts	159,986	38%	136,451	41%	119,987	39%	17%	14%
High-net-worth separate accounts	39,715	9%	25,806	8%	24,516	8%	54%	5%
Retail managed accounts	65,762	16%	48,401	14%	40,917	13%	36%	18%
Total	$ 422,316	100%	$ 336,380	100%	$ 311,354	100%	26%	8%

(1) Consolidated Eaton Vance Corp. See table on page 29 for directly managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.
(2) Includes assets in NextShares funds.
(3) Includes unit investment trusts.
(4) Includes privately offered equity, fixed income and floating-rate income funds and collateralized loan obligation (CLO) entities.

The following table summarizes our assets under management by investment affiliate as of October 31, 2017, 2016 and 2015:

Consolidated Assets under Management by Investment Affiliate[(1)]

	October 31,			2017	2016
				vs.	vs.
(in millions)	2017	2016	2015	2016	2015
Eaton Vance Management[(2)(3)]	$ 164,257	$ 143,918	$ 141,514	14%	2%
Parametric[(3)]	224,941	173,981	152,413	29%	14%
Atlanta Capital[(3)(4)]	22,379	18,481	17,427	21%	6%
Calvert Research and Management[(4)]	10,739	-	-	NM[(5)]	NM
Total	$ 422,316	$ 336,380	$ 311,354	26%	8%

(1) Consolidated Eaton Vance Corp. See table on page 29 for directly managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.
(2) Includes managed assets of Eaton Vance-sponsored funds and separate accounts managed by Hexavest and unaffiliated third-party advisers under Eaton Vance supervision.
(3) In fiscal 2017, the Company reclassified certain managed assets among investment affiliates. Prior years' amounts have been revised for comparability purposes. The reclassification does not affect total consolidated assets under management for any period.
(4) Consistent with the Company's policies for reporting the managed assets and flows of investment portfolios for which multiple Eaton Vance affiliates have management responsibilities, the managed assets of Atlanta Capital indicated above include the assets of Calvert Equity Portfolio, for which Atlanta Capital serves as sub-adviser. The total managed assets of Calvert, including assets sub-advised by other Eaton Vance affiliates, were $12.9 billion as of October 31, 2017.
(5) Not meaningful (NM).

Consolidated average assets under management presented in the following tables are derived by averaging the beginning and ending assets of each month over the period. The tables are intended to provide information useful in the analysis of our asset-based revenue and distribution expenses. Separate account management fees are generally calculated as a percentage of either beginning, average or ending quarterly assets. Fund management, distribution and service fees, as well as certain expenses, are generally calculated as a percentage of average daily assets.

Consolidated Average Assets under Management by Investment Mandate [(1)(2)]

(in millions)	October 31, 2017	October 31, 2016	October 31, 2015	2017 vs. 2016	2016 vs. 2015
Equity[(3)(4)]	$ 103,660	$ 88,711	$ 93,264	17%	-5%
Fixed income[(4)(5)]	66,405	56,339	49,361	18%	14%
Floating-rate income[(4)]	36,107	32,759	38,151	10%	-14%
Alternative[(4)]	11,419	10,105	10,722	13%	-6%
Portfolio implementation	86,257	65,766	52,703	31%	25%
Exposure management[(2)]	78,544	67,180	59,569	17%	13%
Total	$ 382,392	$ 320,860	$ 303,770	19%	6%

(1) Consolidated Eaton Vance Corp. See table on page 29 for directly managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.
(2) Reported consolidated average assets under management exclude certain client positions in exposure management mandates identified as transitory in nature.
(3) Includes balanced and multi-asset mandates.
(4) In fiscal 2017, the Company reclassified certain managed assets among investment mandates. Prior years' amounts have been revised for comparability purposes. The reclassification does not affect total consolidated average assets under management for any period.
(5) Includes cash management mandates.

Consolidated Average Assets under Management by Investment Vehicle [(1)(2)]

(in millions)	October 31, 2017	October 31, 2016	October 31, 2015	2017 vs. 2016	2016 vs. 2015
Open-end funds[(3)]	$ 90,332	$ 72,910	$ 79,109	24%	-8%
Closed-end funds[(4)]	24,148	23,736	24,956	2%	-5%
Private funds[(5)]	30,669	26,832	26,141	14%	3%
Institutional separate accounts[(2)]	146,835	128,033	112,309	15%	14%
High-net-worth separate accounts	33,190	24,873	23,472	33%	6%
Retail managed accounts	57,218	44,476	37,783	29%	18%
Total	$ 382,392	$ 320,860	$ 303,770	19%	6%

(1) Consolidated Eaton Vance Corp. See table on page 29 for directly managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.
(2) Reported consolidated average assets under management exclude certain client positions in exposure management mandates identified as transitory in nature.
(3) Includes assets in NextShares funds.
(4) Includes assets in unit investment trusts.
(5) Includes assets in privately offered equity, fixed income and floating-rate income funds and CLO entities.

Consolidated net inflows of $37.8 billion during fiscal 2017 represent 11 percent internal growth in managed assets (consolidated net inflows divided by beginning of period consolidated assets under management). For comparison, the Company had consolidated net inflows of $19.3 billion and $16.7 billion in fiscal 2016 and 2015, respectively, representing 6 percent internal growth in managed assets in both fiscal 2016 and 2015. On the basis of net contribution to management fee revenue, the Company's internal revenue growth (calculated as the management fees attributed to sales and other inflows less management fees attributable to redemptions and other outflows, divided by beginning of period management fees) was 7 percent in fiscal 2017 and 1 percent in fiscal 2016, as the management fee revenue contribution from new sales and other inflows during each of these years exceeded the management fee revenue lost from redemptions and other withdrawals. The Company's internal revenue growth was -2 percent in fiscal 2015, as the management fee revenue lost from redemptions and other withdrawals exceeded the revenue contribution from new sales and other inflows during the fiscal year.

The following tables summarize our consolidated assets under management and asset flows by investment mandate and investment vehicle for the fiscal years ended October 31, 2017, 2016 and 2015:

Consolidated Assets under Management and Net Flows by Investment Mandate[(1)(2)]

(in millions)	Years Ended October 31, 2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Equity assets - beginning of period[(3)(4)]	$ 89,981	$ 89,890	$ 96,224	0%	-7%
Sales and other inflows	21,111	15,321	18,068	38%	-15%
Redemptions/outflows	(19,828)	(15,668)	(22,957)	27%	-32%
Net flows	1,283	(347)	(4,889)	NM	-93%
Assets acquired[(5)]	5,704	-	-	NM	NM
Exchanges	62	(32)	47	NM	NM
Market value change	16,442	470	(1,492)	NM	NM
Equity assets - end of period	**$ 113,472**	**$ 89,981**	**$ 89,890**	**26%**	**0%**
Fixed income assets - beginning of period[(4)(6)]	60,607	52,465	46,162	16%	14%
Sales and other inflows	22,097	20,451	18,532	8%	10%
Redemptions/outflows	(16,137)	(13,033)	(11,339)	24%	15%
Net flows	5,960	7,418	7,193	-20%	3%
Assets acquired[(5)]	4,170	-	-	NM	NM
Exchanges	(139)	23	51	NM	-55%
Market value change	199	701	(941)	-72%	NM
Fixed income assets - end of period	**$ 70,797**	**$ 60,607**	**$ 52,465**	**17%**	**16%**
Floating-rate income assets - beginning of period[(4)]	32,107	35,534	41,920	-10%	-15%
Sales and other inflows	15,222	7,232	9,332	110%	-23%
Redemptions/outflows	(8,889)	(11,078)	(14,376)	-20%	-23%
Net flows	6,333	(3,846)	(5,044)	NM	-24%
Exchanges	136	(16)	(133)	NM	-88%
Market value change	243	435	(1,209)	-44%	NM
Floating-rate income assets - end of period	**$ 38,819**	**$ 32,107**	**$ 35,534**	**21%**	**-10%**
Alternative assets - beginning of period[(4)]	10,687	10,289	11,385	4%	-10%
Sales and other inflows	5,930	4,183	3,221	42%	30%
Redemptions/outflows	(4,067)	(3,590)	(3,914)	13%	-8%
Net flows	1,863	593	(693)	214%	NM
Exchanges	(4)	(2)	25	100%	NM
Market value change	91	(193)	(428)	NM	-55%
Alternative assets - end of period	**$ 12,637**	**$ 10,687**	**$ 10,289**	**18%**	**4%**
Portfolio implementation assets - beginning of period	71,426	59,487	48,008	20%	24%
Sales and other inflows	23,359	19,882	18,034	17%	10%
Redemptions/outflows	(12,438)	(10,455)	(7,217)	19%	45%
Net flows	10,921	9,427	10,817	16%	-13%
Exchanges	5	(3)	-	NM	NM
Market value change	17,263	2,515	662	586%	280%
Portfolio implementation assets - end of period	**$ 99,615**	**$ 71,426**	**$ 59,487**	**39%**	**20%**
Exposure management assets - end of period	71,572	63,689	54,036	12%	18%
Sales and other inflows	80,532	57,988	57,586	39%	1%
Redemptions/outflows	(69,058)	(51,929)	(48,286)	33%	8%
Net flows[(2)]	11,474	6,059	9,300	89%	-35%
Market value change	3,930	1,824	353	115%	417%
Exposure management assets - end of period	**$ 86,976**	**$ 71,572**	**$ 63,689**	**22%**	**12%**
Total assets under management - beginning of period	336,380	311,354	297,735	8%	5%
Sales and other inflows	168,251	125,057	124,773	35%	0%
Redemptions/outflows	(130,417)	(105,753)	(108,089)	23%	-2%
Net flows	37,834	19,304	16,684	96%	16%
Assets acquired[(5)]	9,874	-	-	NM	NM
Exchanges	60	(30)	(10)	NM	200%
Market value change	38,168	5,752	(3,055)	564%	NM
Total assets under management - end of period	**$ 422,316**	**$ 336,380**	**$ 311,354**	**26%**	**8%**

[1] *Consolidated Eaton Vance Corp. See table on page 29 for directly managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.*

[2] *Reported consolidated net flows exclude certain client positions in exposure management mandates identified as transitory in nature. There were no such positions held in exposure management mandates as of October 31, 2017, 2016 or 2015.*

[3] *Includes balanced and multi-asset mandates.*

[4] *In fiscal 2017, the Company reclassified certain managed assets and flows among investment mandates. Prior years' amounts have been revised for comparability purposes. The reclassification does not affect total consolidated assets under management or total consolidated net flows for any period.*

[5] *Represents managed assets gained in the acquisition of the business assets of Calvert Investments on December 30, 2016. Equity assets acquired and total assets acquired exclude $2.1 billion of managed assets of Calvert Equity Portfolio sub-advised by Atlanta Capital and previously included in the Company's consolidated assets under management.*

[6] *Includes cash management mandates.*

Consolidated Assets under Management and Net Flows by Investment Vehicle[(1)(2)]

(in millions)	Years Ended October 31, 2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Fund assets - beginning of period[(3)]	$ 125,722	$ 125,934	$ 134,564	0%	-6%
Sales and other inflows	40,967	29,890	32,029	37%	-7%
Redemptions/outflows	(33,350)	(29,535)	(36,330)	13%	-19%
Net flows	7,617	355	(4,301)	NM	NM
Assets acquired[(4)]	9,821	-	-	NM	NM
Exchanges[(5)]	2,196	(94)	181	NM	NM
Market value change	11,497	(473)	(4,510)	NM	-90%
Fund assets - end of period	**$ 156,853**	**$ 125,722**	**$ 125,934**	**25%**	**0%**
Institutional separate accounts - beginning of period	136,451	119,987	106,443	14%	13%
Sales and other inflows	93,067	74,476	75,568	25%	-1%
Redemptions/outflows	(81,096)	(62,945)	(61,569)	29%	2%
Net flows[(2)]	11,971	11,531	13,999	4%	-18%
Assets acquired[(4)]	40	-	-	NM	NM
Exchanges[(5)]	(2,063)	420	(208)	NM	NM
Market value change	13,587	4,513	(247)	201%	NM
Institutional separate accounts - end of period	**$ 159,986**	**$ 136,451**	**$ 119,987**	**17%**	**14%**
High-net-worth separate accounts - beginning of period	25,806	24,516	22,235	5%	10%
Sales and other inflows	12,965	5,832	4,816	122%	21%
Redemptions/outflows	(5,370)	(4,841)	(2,933)	11%	65%
Net flows	7,595	991	1,883	666%	-47%
Exchanges	(24)	(309)	(99)	-92%	212%
Market value change	6,338	608	497	942%	22%
High-net-worth separate accounts - end of period	**$ 39,715**	**$ 25,806**	**$ 24,516**	**54%**	**5%**
Retail managed accounts - beginning of period	48,401	40,917	34,493	18%	19%
Sales and other inflows	21,252	14,859	12,360	43%	20%
Redemptions/outflows	(10,601)	(8,432)	(7,257)	26%	16%
Net flows	10,651	6,427	5,103	66%	26%
Assets acquired[(4)]	13	-	-	NM	NM
Exchanges	(49)	(47)	116	4%	NM
Market value change	6,746	1,104	1,205	511%	-8%
Retail managed accounts - end of period	**$ 65,762**	**$ 48,401**	**$ 40,917**	**36%**	**18%**
Total assets under management - beginning of period	336,380	311,354	297,735	8%	5%
Sales and other inflows	168,251	125,057	124,773	35%	0%
Redemptions/outflows	(130,417)	(105,753)	(108,089)	23%	-2%
Net flows	37,834	19,304	16,684	96%	16%
Assets acquired[(4)]	9,874	-	-	NM	NM
Exchanges	60	(30)	(10)	NM	200%
Market value change	38,168	5,752	(3,055)	564%	NM
Total assets under management - end of period	**$ 422,316**	**$ 336,380**	**$ 311,354**	**26%**	**8%**

(1) Consolidated Eaton Vance Corp. See the table on page 29 for directly managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.

(2) Reported consolidated net flows exclude certain client positions in exposure management mandates identified as transitory in nature. There were no such positions held in exposure management mandates as of October 31, 2017, 2016 or 2015.

(3) Includes assets in cash management funds.

(4) Represents managed assets gained in the acquisition of the business assets of Calvert Investments on December 30, 2016. Fund assets acquired and total assets acquired exclude $2.1 billion of managed assets of Calvert Equity Portfolio, which was sub-advised by Atlanta Capital prior to the acquisition and previously included in the Company's consolidated institutional separate accounts.

(5) Reflects the reclassification from institutional separate accounts to funds of $2.1 billion of managed assets of Calvert Equity Portfolio, sub-advised by Atlanta Capital and previously included in the Company's consolidated institutional separate accounts.

As of October 31, 2017, the Company's 49 percent-owned affiliate Hexavest Inc. (Hexavest) managed $16.0 billion of client assets, up 17 percent from $13.7 billion of managed assets on October 31, 2016. Other than Eaton Vance-sponsored funds for which Hexavest is adviser or sub-adviser, the managed assets of Hexavest are not included in Eaton Vance consolidated totals.

The following table summarizes assets under management and asset flow information for Hexavest for the fiscal years ended October 31, 2017, 2016 and 2015:

Hexavest Assets under Management and Net Flows

(in millions)	Years Ended October 31, 2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Eaton Vance distributed:					
Eaton Vance sponsored funds – beginning of period[1]	$ 231	$ 229	$ 227	1%	1%
Sales and other inflows	92	22	22	318%	0%
Redemptions/outflows	(177)	(33)	(21)	436%	57%
Net flows	(85)	(11)	1	673%	NM
Market value change	36	13	1	177%	NM
Eaton Vance sponsored funds – end of period	$ 182	$ 231	$ 229	-21%	1%
Eaton Vance distributed separate accounts – beginning of period[2]	$ 2,492	$ 2,440	$ 2,367	2%	3%
Sales and other inflows	1,124	131	535	758%	-76%
Redemptions/outflows	(920)	(236)	(488)	290%	-52%
Net flows	204	(105)	47	NM	NM
Market value change	396	157	26	152%	504%
Eaton Vance distributed separate accounts – end of period	$ 3,092	$ 2,492	$ 2,440	24%	2%
Total Eaton Vance distributed – beginning of period	$ 2,723	$ 2,669	$ 2,594	2%	3%
Sales and other inflows	1,216	153	557	695%	-73%
Redemptions/outflows	(1,097)	(269)	(509)	308%	-47%
Net flows	119	(116)	48	NM	NM
Market value change	432	170	27	154%	530%
Total Eaton Vance distributed – end of period	**$ 3,274**	**$ 2,723**	**$ 2,669**	**20%**	**2%**
Hexavest directly distributed – beginning of period[3]	$ 11,021	$ 11,279	$ 14,101	-2%	-20%
Sales and other inflows	1,140	985	786	16%	25%
Redemptions/outflows	(1,208)	(1,919)	(3,503)	-37%	-45%
Net flows	(68)	(934)	(2,717)	-93%	-66%
Market value change	1,795	676	(105)	166%	NM
Hexavest directly distributed – end of period	$ 12,748	$ 11,021	$ 11,279	16%	-2%
Total Hexavest assets – beginning of period	$ 13,744	$ 13,948	$ 16,695	-1%	-16%
Sales and other inflows	2,356	1,138	1,343	107%	-15%
Redemptions/outflows	(2,305)	(2,188)	(4,012)	5%	-45%
Net flows	51	(1,050)	(2,669)	NM	-61%
Market value change	2,227	846	(78)	163%	NM
Total Hexavest assets – end of period	**$ 16,022**	**$ 13,744**	**$ 13,948**	**17%**	**-1%**

(1) Managed assets and flows of Eaton Vance-sponsored pooled investment vehicles for which Hexavest is adviser or sub-adviser. Eaton Vance receives management fees (and in some cases also distribution fees) on these assets, which are included in Eaton Vance's consolidated assets under management and flows.

(2) Managed assets and flows of Eaton Vance-distributed separate accounts managed by Hexavest. Eaton Vance receives distribution fees, but not management fees, on these assets, which are not included in Eaton Vance's consolidated assets under management and flows.

(3) Managed assets and flows of pre-transaction Hexavest clients and post-transaction Hexavest clients in Canada. Eaton Vance receives no management fees or distribution fees on these assets, which are not included in Eaton Vance's consolidated assets under management and flows.

Results of Operations

In evaluating operating performance, we consider net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share, which are calculated on a basis consistent with U.S. GAAP, as well as adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share, both of which are internally derived non-U.S. GAAP performance measures.

Management believes that certain non-U.S. GAAP financial measures, specifically, adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share, while not a substitute for U.S. GAAP financial measures, may be effective indicators of the Company's performance over time. Non-U.S. GAAP financial measures should not be construed to be superior to U.S. GAAP measures. In calculating these non-U.S. GAAP financial measures, net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share are adjusted to exclude items management deems non-operating or non-recurring in nature or otherwise outside the ordinary course of business. These adjustments may include the add back of adjustments made in connection with changes in the estimated redemption value of non-controlling interests in our affiliates redeemable at other than fair value (non-controlling interest value adjustments) and, when applicable, other items such as closed-end fund structuring fees, special dividends, costs associated with retiring debt and tax settlements. Management and our Board of Directors, as well as certain of our outside investors, consider these adjusted numbers a measure of the Company's underlying operating performance. Management believes adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share are important indicators of our operations because they exclude items that may not be indicative of, or are unrelated to, our core operating results, and may provide a useful baseline for analyzing trends in our underlying business.

The following table provides a reconciliation of net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share to adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share, respectively, for the fiscal years ended October 31, 2017, 2016 and 2015:

(in thousands, except per share data)	Years Ended October 31, 2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Net income attributable to Eaton Vance Corp. shareholders	$ 282,131	$ 241,307	$ 230,299	17%	5%
Non-controlling interest value adjustments[(1)]	531	200	(204)	166%	NM
Closed-end fund structuring fees, net of tax[(2)]	2,179	1,401	-	56%	NM
Loss on extinguishment of debt, net of tax[(3)]	3,346	-	-	NM	NM
Payments to end certain closed-end fund service and additional compensation arrangements, net of tax[(4)]	-	-	44,895	NM	-100%
Adjusted net income attributable to Eaton Vance Corp. shareholders	$ 288,187	$ 242,908	$ 274,990	19%	-12%
Earnings per diluted share	$ 2.42	$ 2.12	$ 1.92	14%	10%
Non-controlling interest value adjustments	0.01	-	-	NM	NM
Closed-end fund structuring fees, net of tax	0.02	0.01	-	100%	NM
Loss on extinguishment of debt, net of tax	0.03	-	-	NM	NM
Payments to end certain closed-end fund service and additional compensation arrangements, net of tax	-	-	0.37	NM	-100%
Adjusted earnings per diluted share	$ 2.48	$ 2.13	$ 2.29	16%	-7%

(1) *Please see page 41, "Net Income Attributable to Non-controlling and Other Beneficial Interests," for a further discussion of the non-controlling interest value adjustments referenced above.*

(2) *Reflects closed-end fund structuring fees paid of $3.5 million (net of the associated impact to taxes of $1.3 million) and $2.3 million (net of the associated impact to taxes of $0.9 million) for the fiscal years ended October 31, 2017 and 2016, respectively.*

(3) *Reflects a loss on extinguishment of debt of $5.4 million associated with the retirement of the Company's remaining $250 million aggregate principal amount of 6.5 percent senior notes due October 2, 2017, net of the associated impact to taxes of $2.1 million.*

(4) *Reflects a $73.0 million payment to end certain fund services and additional compensation arrangements for certain Eaton Vance closed-end funds, net of the associated impact to taxes of $28.1 million. See page 37 for a further discussion.*

The 17% percent increase in net income attributable to Eaton Vance Corp. shareholders in fiscal 2017 compared to fiscal 2016 can be attributed primarily to the following:

- An increase in revenue of $186.2 million, or 14 percent, primarily reflecting growth in average consolidated assets under management, partially offset by lower consolidated average annualized management fee rates.
- An increase in expenses of $117.7 million, or 13 percent, primarily reflecting increases in compensation, distribution expense, service fee expense, amortization of deferred sales commissions, fund-related expenses and other operating expenses. The increase in compensation expense is driven by the Calvert acquisition at the end of the 2016 calendar year, increased headcount, increased sales- and operating income-based bonus accruals, and increased stock-based compensation. The increase in non-compensation-related costs is due to an increase in service and distribution fees due to higher fund average assets under management, an increase in closed-end fund structuring fees paid, an

increase in marketing and promotion costs, certain fund reimbursements made by the Company in fiscal 2017 and an increase in other corporate expenses.

- A $6.9 million increase in gains and other investment income, net, primarily due to an increase in interest income, partially offset by an increase in net investment losses attributable to investments in sponsored funds and related economic hedges and an increase in foreign currency losses. Gains and other investment income, net, also includes a $1.9 million gain recognized in fiscal 2017 upon release from escrow of payments received in connection with the sale of the Company's equity interest in Lloyd George Management (BVI) Ltd. (Lloyd George Management) in fiscal 2011.
- A $1.9 million decrease in interest expense, primarily reflecting the May 2017 retirement of $250 million in aggregate principal amount of the Company's 6.5 percent senior notes due October 2, 2017 (2017 Senior Notes) and the April 2017 issuance of $300 million in aggregate principal amount of 3.5 percent senior notes due April 6, 2027 (2027 Senior Notes).
- A $5.4 million loss on extinguishment of debt related to the costs incurred on the retirement of the 2017 Senior Notes referenced above.
- A $10.8 million decrease in income contribution from the Company's consolidated CLO entities attributable to the deconsolidation of a CLO entity in the fourth quarter of fiscal 2016. In the fourth quarter of fiscal 2017, the Company consolidated a new CLO entity. The income contribution from this newly consolidated CLO entity was negligible, as the vehicle was consolidated late in the fiscal year and is in the warehouse phase.
- An increase in income taxes of $20.0 million, or 13 percent, reflecting the increase in the Company's income before taxes offset by a modest decrease in the effective tax rate.
- An increase in equity in net income of affiliates, net of tax, of $0.5 million, primarily reflecting an increase in the Company's proportionate net interest in the earnings of Hexavest offset by a decrease in the Company's proportionate net interest in the earnings of a private equity partnership, both of which are accounted for under the equity method.
- An increase in net income attributable to non-controlling and other beneficial interests of $0.8 million, primarily reflecting an increase in net income attributable to non-controlling interest holders in the Company's consolidated sponsored funds and majority-owned subsidiaries, partially offset by a decrease in the net income of consolidated CLOs attributable to other beneficial interest holders.

Weighted average diluted shares outstanding increased by 2.4 million shares, or 2 percent, in fiscal 2017 compared to fiscal 2016, primarily reflecting the impact of employee stock option exercises and vesting of restricted stock, partially offset by share repurchases in fiscal 2017, as well as an increase in the dilutive effect of in-the-money options and unvested restricted stock.

The 5 percent increase in net income attributable to Eaton Vance Corp. shareholders in fiscal 2016 compared to fiscal 2015 can be attributed primarily to the following:

- A decrease in revenue of $60.7 million, or 4 percent, primarily reflecting lower average managed assets in higher fee-rate floating-rate income, alternative and equity mandates, partially offset by growth in lower fee-rate exposure management, portfolio implementation and laddered bond mandates.
- A decrease in expenses of $74.5 million, or 7 percent, reflecting lower distribution fees and service fees, partially offset by increases in compensation, amortization of deferred sales commissions and other corporate expenses. The decrease in distribution expense relates principally to the payment of $73.0 million to terminate certain closed-end fund service and additional compensation arrangements in fiscal 2015.

- A $12.4 million increase in gains (losses) and other investment income, net, primarily reflecting increases in net gains and interest and other income recognized on our seed capital portfolio.
- A $12.5 million increase in income related to the Company's consolidated CLO entities.
- An increase in income taxes of $10.4 million, or 7 percent, reflecting an increase in the Company's income before taxes. Consolidated CLO entity income that is allocated to other beneficial interest holders is not subject to tax in the Company's provision.
- A decrease in equity in net income of affiliates, net of tax, of $1.7 million, reflecting a decrease in the Company's proportionate net interest in the earnings of Hexavest and sponsored funds accounted for under the equity method.
- An increase in net income attributable to non-controlling interests of $15.6 million, primarily reflecting an increase in net income of the Company's consolidated CLO entities that are borne by other beneficial interests and a decrease in net losses attributable to non-controlling interest holders in the Company's consolidated sponsored funds, partially offset by a decrease in net income attributable to non-controlling interest holders in the Company's majority-owned subsidiaries.

Weighted average diluted shares outstanding decreased by 4.2 million shares, or 4 percent, in fiscal 2016 compared to fiscal 2015. The change reflects the impact of shares repurchased over the course of the fiscal year and the lower dilutive impact of unexercised options, partially offset by the impact of employee stock option exercises and the annual vesting of restricted stock.

Revenue

Our revenue increased by 14 percent in fiscal 2017, reflecting higher management fees, distribution and underwriter fees, service fees and other revenue.

The following table shows our management fees, distribution and underwriter fees, service fees and other revenue for the fiscal years ended October 31, 2017, 2016 and 2015:

	Years Ended October 31,			2017 vs.	2016 vs.
(in thousands)	**2017**	**2016**	**2015**	**2016**	**2015**
Management fees	$ 1,318,141	$ 1,151,198	$ 1,196,866	15%	-4%
Distribution and underwriter fees	78,776	74,822	80,815	5%	-7%
Service fees	119,962	107,684	116,448	11%	-8%
Other revenue	12,131	9,156	9,434	32%	-3%
Total revenue	$ 1,529,010	$ 1,342,860	$ 1,403,563	14%	-4%

Management fees

The 15 percent increase in management fees in fiscal 2017 can be primarily attributed to an increase in average consolidated assets under management, partially offset by a decline in our consolidated average annualized management fee rate due primarily to changes in business mix. The 4 percent decrease in management fees in fiscal 2016 can be attributed primarily to the loss of assets in higher-fee investment mandates. Consolidated average assets under management increased by 19 percent and 6 percent in fiscal 2017 and 2016, respectively.

Excluding performance-based fees, our average management fee rate decreased to 34.5 basis points in fiscal 2017 from 35.8 basis points in fiscal 2016 and 39.3 basis points in fiscal 2015. Performance-based fees were $0.4 million, $3.4 million and $3.7 million in fiscal 2017, 2016 and 2015, respectively.

The primary drivers of our average management fee rates are the mix of our assets by investment mandate and distribution channel, and the timing and amount of performance fees recognized. Excluding the impact of performance-based fees, changes in consolidated average management fee rates for the compared periods primarily reflect the ongoing shift in the Company's mix of business towards investment mandates and distribution channels with lower fee rates.

Consolidated average management fee rates, excluding performance-based fees, for the fiscal years ended October 31, 2017, 2016 and 2015 by investment mandate were as follows:

	Years Ended October 31,			2017 vs.	2016 vs.
(in basis points on average managed assets)	**2017**	**2016**	**2015**	**2016**	**2015**
Equity[(1)]	61.7	62.8	64.1	-2%	-2%
Fixed income[(1)]	38.0	40.0	43.0	-5%	-7%
Floating-rate income[(1)]	51.6	51.8	53.2	0%	-3%
Alternatives[(1)]	63.3	63.0	61.8	0%	2%
Portfolio implementation	14.7	14.9	15.5	-1%	-4%
Exposure management[(2)]	5.2	5.1	5.4	2%	-6%
Consolidated average management fee rates	34.5	35.8	39.3	-4%	-9%

(1) In fiscal 2017, the Company reclassified certain managed assets among investment mandates. Prior years' amounts have been revised for comparability purposes.
(2) Excludes management fees attributable to certain client positions in exposure management mandates identified as transitory in nature.

Average assets under management by investment mandate to which these fee rates apply can be found in the table, "Consolidated Average Assets under Management by Investment Mandate," on page *24.*

Distribution and underwriter fees
Distribution fees, which are earned under contractual agreements with certain sponsored funds, are calculated as a percentage of, and fluctuate with, average assets under management of the applicable funds and fund share classes. Underwriter fees and other distribution income includes underwriter commissions earned on sales of fund share classes subject to those fees, contingent deferred sales charges received on certain Class A redemptions, unit investment trust sales charges and fundraising and servicing fees associated with The U.S. Charitable Gift Trust.

Distribution fees, underwriter fees and other distribution income for the fiscal years ended October 31, 2017, 2016 and 2015 were as follows:

(in thousands)	Years Ended October 31, 2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Distribution fees:					
Class A	$ 627	646	876	-3%	-26%
Class B	792	1,338	2,173	-41%	-38%
Class C	61,068	60,031	64,809	2%	-7%
Class F	1,354	-	-	NM	NM
Class N	72	78	136	-8%	-43%
Class R	1,624	1,361	1,208	19%	13%
Private funds	5,942	4,382	4,267	36%	3%
Total distribution fees	$ 71,479	$ 67,836	$ 73,469	5%	-8%
Underwriter fees	2,765	2,763	2,745	0%	1%
Other distribution income	4,532	4,223	4,601	7%	-8%
Total distribution and underwriter fees	$ 78,776	$ 74,822	$ 80,815	5%	-7%

Service fees

Service fees, which are paid to EVD pursuant to distribution or service plans adopted by our sponsored mutual funds, are calculated as a percent of, and fluctuate with, average assets under management in specific mutual fund share classes (principally Classes A, B, C, F, N and R). Certain private funds also make service fee payments to EVD.

Service fee revenue increased 11 percent in fiscal 2017, primarily reflecting an increase in consolidated average assets under management in funds and fund share classes subject to service fees. Service fee revenue decreased 8 percent in fiscal 2016, primarily reflecting a decrease in consolidated average assets under management in certain classes of funds subject to service fees.

Other revenue

Other revenue, which consists primarily of shareholder servicing fees, miscellaneous dealer income, Hexavest-related distribution and service revenue, and sub-lease income, increased 32 percent in fiscal 2017, primarily reflecting an increase in shareholder servicing fees and miscellaneous dealer income. Other revenue decreased 3 percent in fiscal 2016, primarily reflecting lower sub-lease income.

Expenses

Operating expenses increased 13 percent in fiscal 2017 from fiscal 2016, reflecting increases in compensation and related costs, distribution expense, service fee expense, amortization of deferred sales commissions, fund-related expenses and other operating expenses. Expenses in connection with the Company's NextShares initiative totaled approximately $7.4 million in fiscal 2017, $8.0 million in fiscal 2016 and $7.4 million in fiscal 2015.

The following table shows our operating expenses for the fiscal years ended October 31, 2017, 2016 and 2015:

(in thousands)	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
	Years Ended October 31,				
Compensation and related costs:					
Cash compensation	$ 473,903	$ 419,515	$ 414,307	13%	1%
Stock-based compensation	80,049	71,600	69,520	12%	3%
Total compensation and related costs	553,952	491,115	483,827	13%	2%
Distribution expense	132,873	117,996	198,155	13%	-40%
Service fee expense	112,519	98,494	106,663	14%	-8%
Amortization of deferred sales commissions	16,239	15,451	14,972	5%	3%
Fund-related expenses	48,995	35,899	35,886	36%	0%
Other expenses	181,674	169,637	163,613	7%	4%
Total expenses	$ 1,046,252	$ 928,592	$ 1,003,116	13%	-7%

Compensation and related costs

The following table shows our compensation and related costs for the fiscal years ended October 31, 2017, 2016 and 2015:

(in thousands)	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
	Years Ended October 31,				
Base salaries and employee benefits	$ 245,693	$ 226,463	$ 217,289	8%	4%
Stock-based compensation	80,049	71,600	69,520	12%	3%
Operating income-based incentives	152,952	131,250	134,052	17%	-2%
Sales incentives	72,094	55,550	57,716	30%	-4%
Other compensation expense	3,164	6,252	5,250	-49%	19%
Total	$ 553,952	$ 491,115	$ 483,827	13%	2%

Compensation expense increased by $62.8 million, or 13 percent, in fiscal 2017 compared to fiscal 2016. The increase was driven primarily by: (i) a $19.2 million increase in base salaries and benefits reflecting annual merit increases and higher headcount, partially due to the Calvert acquisition on December 30, 2016; (ii) an $8.4 million increase in stock-based compensation, primarily due to an increase in annual stock-based compensation awards; (iii) a $21.7 million increase in operating income-based incentives due to an increase in pre-bonus adjusted operating income; and (iv) a $16.5 million increase in sales-based incentive driven by strong compensation-eligible sales. The $3.1 million decrease in other compensation expense is related to lower employee recruiting and termination costs.

Compensation expense increased by $7.3 million, or 2 percent, in fiscal 2016 compared to fiscal 2015. The increase was driven primarily by: (i) a $9.2 million increase in base salaries and employee benefits reflecting annual merit increases, higher headcount and a corresponding increase in employee benefits; and (ii) a $2.1 million increase in stock-based compensation, primarily due to an increase in annual stock-based compensation awards due to increased headcount. These increases were partially offset by: (i) a $2.8 million decrease in operating-income based incentives due to a decrease in pre-bonus adjusted operating income; and

(ii) a $2.2 million decrease in sales-based incentive resulting from a decrease in compensation-eligible sales. The $1.0 million increase in other compensation expense is related to increased costs associated with employee recruiting and terminations.

Distribution expense
Distribution expense consists primarily of commissions paid to broker-dealers on the sale of Class A shares at net asset value, ongoing asset-based payments made to distribution partners pursuant to third-party distribution arrangements for Class C shares and certain closed-end funds, marketing support payments to distribution partners and other discretionary marketing expenses.

The following table shows our distribution expense for the fiscal years ended October 31, 2017, 2016 and 2015:

	Years Ended October 31,			2017 vs.	2016 vs.
(in thousands)	**2017**	**2016**	**2015**	**2016**	**2015**
Class A share commissions	$ 2,417	$ 2,064	$ 2,628	17%	-21%
Class C share distribution fees	52,038	50,324	53,462	3%	-6%
Closed-end fund structuring fees	3,515	2,291	-	53%	NM
Payments to end certain closed-end fund service and additional compensation arrangements	-	-	73,000	NM	-100%
Closed-end fund dealer compensation payments	3,867	3,836	6,575	1%	-42%
Intermediary marketing support payments	47,721	40,308	41,901	18%	-4%
Discretionary marketing expenses	23,315	19,173	20,589	22%	-7%
Total	$ 132,873	$ 117,996	$ 198,155	13%	-40%

Distribution expense increased by $14.9 million, or 13 percent, in fiscal 2017 compared to fiscal 2016, primarily attributable to increases in Class A sales on which we pay commissions, Class C share assets held more than one year on which we pay distribution fees, closed-end fund structuring fees, intermediary marketing support payments and discretionary marketing expense related to significant corporate initiatives. The increase in intermediary market support payments was driven primarily by higher average assets under management subject to market support payments, attributable in part to the acquisition of the Calvert business in December 2016.

Distribution expense decreased by $80.2 million, or 40 percent, in fiscal 2016 compared to fiscal 2015, primarily attributable to a decrease in expense resulting from the inclusion of a one-time payment of $73.0 million in fiscal 2015 to terminate certain closed-end fund service and additional compensation arrangements with a distribution partner pursuant to which we were obligated to make recurring payments over time based on the assets of the closed-end funds covered by the arrangements. The decrease also reflects lower Class A sales on which we pay commissions, declines in Class C share assets held more than one year on which we pay distribution fees, a decrease in closed-end fund dealer compensation payments, reflecting the above-described termination of fund service and additional compensation arrangements, a decrease in intermediary marketing support payments driven by lower average managed assets and a decrease in discretionary marketing expenses, reflecting lower spending on advertising and marketing communications.

Service fee expense
Service fees we receive from sponsored funds are generally retained in the first year and paid to broker-dealers thereafter pursuant to third-party selling agreements. These fees are calculated as a percent of average assets under management in certain share classes of our mutual funds (principally Classes A, C, N and R), as well as certain private funds. Service fee expense increased by 14 percent in fiscal 2017, reflecting higher average fund assets retained more than one year in funds and share classes that are subject to service fees. Service fee expense decreased by 8 percent in fiscal 2016, reflecting lower average fund assets retained more than one year in funds and share classes that are subject to service fees.

Amortization of deferred sales commissions
Amortization expense is affected by ongoing sales and redemptions of mutual fund Class C shares and certain private funds and redemptions of Class B shares. Amortization expense increased 5 percent and 3 percent in fiscal 2017 and 2016, respectively, reflecting higher private fund commission amortization offset by lower Class B and Class C commission amortization for both periods. In fiscal 2017, 2 percent of total amortization expense related to Class B shares, 50 percent to Class C shares and 48 percent to privately offered equity funds. In fiscal 2016, 4 percent of total amortization expense related to Class B shares, 61 percent to Class C shares and 35 percent to privately offered equity funds.

Fund-related expenses
Fund-related expenses consist primarily of fees paid to sub-advisers, compliance costs and other fund-related expenses we incur. Fund-related expenses increased by 36 percent in fiscal 2017, reflecting higher fund subsidies attributable primarily to the addition of the Calvert Funds, higher sub-advisory fees paid, an increase in fund expenses borne by the Company on funds for which it earns an all-in fee and $1.9 million in one-time reimbursements made to the funds by the Company in fiscal 2017. Fund-related expenses were substantially unchanged in fiscal 2016 from the prior fiscal year.

Other expenses
The following table shows our other expense for the fiscal years ended October 31, 2017, 2016 and 2015:

	Years Ended October 31,			2017 vs.	2016 vs.
(in thousands)	**2017**	**2016**	**2015**	**2016**	**2015**
Information technology	$ 77,450	$ 72,718	$ 67,834	7%	7%
Facilities-related	40,799	40,806	40,771	0%	0%
Travel	17,351	16,663	16,360	4%	2%
Professional services	15,347	13,331	13,854	15%	-4%
Communications	5,536	5,081	5,272	9%	-4%
Amortization of intangible assets	9,014	8,648	9,693	4%	-11%
Other corporate expense	16,177	12,390	9,829	31%	26%
Total	$ 181,674	$ 169,637	$ 163,613	7%	4%

The increase in information technology expense in fiscal 2017 can be attributed primarily to increases in market data and maintenance costs, partially offset by decreases in project-related consulting and outside custody and back-office service costs. The increase in travel expense relates to an increase in travel activity. The increase in professional services expense can be attributed primarily to one-time legal and consulting costs incurred in conjunction with the investigation of fraudulent activities of a former Eaton Vance Management trader. The increase in communications reflects increases in costs associated with telecommunications, subscriptions and supplies, partially offset by a decrease in postage. The increase in other corporate expenses is largely associated with the Calvert acquisition.

The increase in information technology expense in fiscal 2016 can be attributed primarily to increases in project-related consulting and software maintenance fees. The increase in travel expense relates to an increase in travel activity. The decrease in professional services expense can be attributed primarily to a decrease in corporate consulting engagements and external legal costs. The decrease in communications reflects a reduction in expenses primarily related to shareholder communications. The increase in other corporate expenses primarily reflects an increase in other corporate taxes.

Non-operating Income (Expense)

The main categories of non-operating income (expense) for the fiscal years ended October 31, 2017, 2016 and 2015 are as follows:

(in thousands)	Years Ended October 31, 2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Gains (losses) and other investment income, net	$ 19,303	$ 12,411	$ (31)	56%	NM
Interest expense	(27,496)	(29,410)	(29,357)	-7%	0%
Loss on extinguishment of debt	(5,396)	-	-	NM	NM
Other income (expense) of consolidated CLO entities: [1]					
Gains and other investment income, net	-	24,069	5,092	-100%	373%
Interest and other expense	-	(13,286)	(6,767)	-100%	96%
Total non-operating expense	$ (13,589)	$ (6,216)	$ (31,063)	119%	-80%

[1] *Income and expense amounts related to the consolidated CLO entity in fiscal 2017 were negligible as the CLO entity was consolidated in the fourth quarter of the fiscal year and is in the warehouse phase.*

Gains (losses) and other investment income, net, increased by $6.9 million in fiscal 2017 compared to fiscal 2016, reflecting an increase in interest and other income of $11.0 million, which partially offset increases in net investment losses attributable to investments in sponsored funds and related economic hedges and foreign currency losses. Fiscal 2017 gains and other investment income, net, include a $1.9 million gain recognized upon the release from escrow of payments received in connection with the sale of the Company's equity interest in Lloyd George Management in fiscal 2011. In fiscal 2017, we recognized $1.9 million of net losses related to our seed capital investments and associated hedges, compared to $0.1 million of net losses in fiscal 2016.

Gains (losses) and other investment income, net, improved by $12.4 million in fiscal 2016 compared to fiscal 2015, reflecting increases in net investment gains, interest income and foreign currency gains of $9.0 million, $2.2 million and $1.2 million, respectively. In fiscal 2016, we recognized $0.1 million of net losses related to our seed investments and associated hedges, compared to $9.2 million of net losses in fiscal 2015.

Interest expense decreased by $1.9 million in fiscal 2017 compared to fiscal 2016, primarily reflecting the net effect of the retirement of the remaining $250 million of our 2017 Senior Notes and the issuance of $300 million of our 2027 Senior Notes. During fiscal 2017, the Company also recognized a $5.4 million loss on extinguishment of debt related to costs incurred on the retirement of the 2017 Senior Notes. Interest expense was substantially unchanged in fiscal 2016 compared to fiscal 2015.

Net gains (losses) of consolidated CLO entities were negligible during fiscal 2017 and were $10.8 million and $(1.7) million in fiscal 2016 and 2015, respectively. The decrease in net gains (losses) of consolidated CLO entities in fiscal 2017 compared to fiscal 2016 is attributable to the deconsolidation of a CLO entity in the fourth quarter of fiscal 2016. Consolidated CLO entities' gains (losses) included in net income attributable to non-controlling and other beneficial interest were negligible during fiscal 2017 and were approximately $9.8 million and $(5.8) million during fiscal 2016 and 2015, respectively, reflecting third-party note holders' proportionate interests in the net income (loss) of each consolidated CLO entity. Income associated with the consolidated CLO entities included in net income attributable to Eaton Vance Corp. shareholders was negligible during fiscal 2017 and was $0.8 million and $4.1 million for fiscal 2016 and 2015, respectively, representing management fees earned by the Company and the Company's proportionate interest in net gains (losses) of the consolidated CLO entities.

Income Taxes

Our effective tax rate, calculated as income taxes as a percentage of income before income taxes and equity in net income of affiliates, was 37.0 percent, 37.6 percent and 38.8 percent in fiscal 2017, 2016 and 2015, respectively.

Our policy for accounting for income taxes includes monitoring our business activities and tax policies for compliance with federal, state and foreign tax laws. In the ordinary course of business, various taxing authorities may not agree with certain tax positions we have taken, or applicable law may not be clear. We periodically review these tax positions and provide for and adjust as necessary estimated liabilities relating to such positions as part of our overall tax provision.

Equity in Net Income of Affiliates, Net of Tax

Equity in net income of affiliates, net of tax, primarily reflects our 49 percent equity interest in Hexavest, our seven percent minority equity interest in a private equity partnership managed by a third party and equity interests in certain funds we sponsor or manage.

The following table summarizes the components of equity in net income of affiliates, net of tax, for the fiscal years ended October 31, 2017, 2016 and 2015:

	Years Ended October 31,			2017 vs.	2016 vs.
(in thousands)	**2017**	**2016**	**2015**	**2016**	**2015**
Investment in Hexavest, net of tax and amortization	$ 10,602	$ 9,979	$ 10,857	6%	-8%
Investment in private equity partnership, net of tax	268	356	849	-25%	-58%
Investment in sponsored funds, net of tax	-	-	315	NM	-100%
Total	$ 10,870	$ 10,335	$ 12,021	5%	-14%

Net Income Attributable to Non-controlling and Other Beneficial Interests

The following table summarizes the components of net income attributable to non-controlling and other beneficial interests for the fiscal years ended October 31, 2017, 2016 and 2015:

	Years Ended October 31,			2017 vs.	2016 vs.
(in thousands)	**2017**	**2016**	**2015**	**2016**	**2015**
Consolidated sponsored funds	$ (6,816)	$ 43	$ 1,752	NM	-98%
Majority-owned subsidiaries	(16,895)	(13,525)	(15,673)	25%	-14%
Non-controlling interest value adjustments[(1)]	(531)	(200)	204	166%	NM
Consolidated CLO entities	-	(9,768)	5,825	-100%	NM
Net income attributable to non-controlling and other beneficial interests	$ (24,242)	$ (23,450)	$ (7,892)	3%	197%

[(1)] *Relates to non-controlling interests redeemable at other than fair value.*

Net income attributable to non-controlling and other beneficial interests is not adjusted for taxes due to the underlying tax status of our consolidated majority-owned subsidiaries, which are treated as partnerships or other pass-through entities for tax purposes. Funds and the CLO entities we consolidate are registered investment companies or private funds that are treated as pass-through entities for tax purposes.

In fiscal 2017, 2016 and 2015, non-controlling interest value adjustments reflect changes in the estimated redemption value of non-controlling interests in Atlanta Capital.

Changes in Financial Condition, Liquidity and Capital Resources

The assets and liabilities of our consolidated CLO entities do not affect our liquidity or capital resources. The collateral assets of our consolidated CLO entities are held solely to satisfy the obligations of these entities and we have no right to these assets beyond our direct investment in, and management fees generated from, these entities. The note holders and third-party creditors of these entities have no recourse to the general credit of the Company. As a result, the assets and liabilities of our consolidated CLO entities are excluded from the discussion of liquidity and capital resources below.

The following table summarizes certain key financial data relating to our liquidity and capital resources on October 31, 2017, 2016 and 2015 and uses of cash for the years then ended:

Balance Sheet and Cash Flow Data

(in thousands)	As of October 31, 2017	2016	2015
Balance sheet data:			
Assets:			
Cash and cash equivalents	$ 610,555	$ 424,174	$ 465,558
Management fees and other receivables	200,453	186,172	187,753
Total liquid assets	$ 811,008	$ 610,346	$ 653,311
Investments	$ 898,192	$ 589,773	$ 507,020
Liabilities:			
Debt[1]	$ 618,843	$ 571,773	$ 571,077

[1] *In fiscal 2017, the Company adopted Accounting Standard Update 2015-03, which requires certain debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. Total assets and debt were each reduced by $2.2 million and $2.7 million as of October 31, 2016 and 2015, respectively, to reflect the reclassification of debt issuance costs from other assets to debt.*

(in thousands)	Years Ended October 31, 2017	2016	2015
Cash flow data:			
Operating cash flows	$ 64,892	$ 340,549	$ 219,867
Investing cash flows	(91,425)	(108,278)	84,266
Financing cash flows	210,213	(270,199)	(221,446)

Liquidity and Capital Resources

Liquid assets consist of cash and cash equivalents and management fees and other receivables. Cash and cash equivalents consist of cash and short-term, highly liquid investments that are readily convertible to cash. Management fees and other receivables primarily represent receivables due from sponsored funds and separately managed accounts for investment advisory and distribution services provided. Liquid assets represented 35 percent of total assets on both October 31, 2017 and 2016, excluding those assets identified as assets of our consolidated CLO entity. Not included in the liquid asset amounts are $213.5 million and $85.8 million of highly liquid short-term debt securities with remaining maturities between three and 12 months held as of October 31, 2017 and 2016, respectively, which are included within investments on our Consolidated Balance Sheets. Our seed investments in consolidated funds and separate accounts are not treated as liquid assets because they may be longer term in nature.

The $200.7 million increase in liquid assets in fiscal 2017 primarily reflects net proceeds of $296.1 million from the issuance of our 2027 Senior Notes in the second quarter of fiscal 2017, proceeds from the issuance of Non-Voting Common Stock of $210.9 million in connection with the exercise of employee stock options and other employee stock purchases, proceeds from net subscriptions received from non-controlling interest holders of $188.5 million, cash provided by operating activities of $64.9 million, net proceeds of $16.2 million from the sale of investments classified as available-for-sale, excess tax benefits of $14.8 million associated with stock option exercises and vesting of restricted stock awards, and principal repayments on notes receivable from stock option exercises of $4.5 million, offset by total consideration paid to redeem our 2017 Senior Notes of $256.8 million, the repurchase of $126.2 million of Non-Voting Common Stock, the payment of $125.8 million of dividends to shareholders, net cash paid in acquisitions of $63.6 million, an investment of $18.8 million in our consolidated CLO entity, the addition of $12.7 million in equipment and leasehold improvements, and the purchase of additional non-controlling interests for $9.8 million.

The $43.0 million decrease in liquid assets in fiscal 2016 primarily reflects the repurchase of $253.0 million of Non-Voting Common Stock, the payment of $118.6 million of dividends to shareholders, $82.6 million from the investing and financing activities of consolidated CLO entities, the payment of $15.7 million to acquire additional interests in Atlanta Capital and Parametric, a $10.1 million contingent payment related to the Company's acquisition of the Tax Advantaged Bond Strategies (TABS) business, the addition of $10.7 million in equipment and leasehold improvements and the issuance of a $5.0 million note receivable to our affiliate Hexavest, offset by net cash provided by operating activities of $340.6 million, proceeds from the issuance of Non-Voting Common Stock of $110.4 million in connection with the exercise of employee stock options and other employee stock purchases and excess tax benefits of $2.9 million associated with stock option exercises.

Our debt consists of $325 million in aggregate principal amount of 3.625 percent Senior Notes due in June 2023 and $300 million in aggregate principal amount of 3.5 percent Senior Notes due in April 2027.

The 2027 Senior Notes offering resulted in net proceeds of $296.1 million after deducting the underwriting discount and offering expenses. Interest on the 2027 Senior Notes is payable semi-annually in arrears on April 6th and October 6th of each year, commencing on October 6, 2017. The 2027 Senior Notes are unsecured and unsubordinated obligations of the Company. On May 6, 2017, the net proceeds from the issuance of our 2027 Senior Notes were used to redeem the remaining $250 million aggregate principal amount of the 2017 Senior Notes. We paid total consideration of $256.8 million to the holders of the 2017 Senior Notes at redemption and recognized a $5.4 million non-operating loss on the extinguishment of the debt, representing the difference between the total consideration paid and the net carrying amount of the extinguished debt plus interest accrued to the date of redemption.

We maintain a $300 million unsecured revolving credit facility with several banks that expires on October 21, 2019. The facility provides that we may borrow at LIBOR-based rates of interest that vary depending on the level of usage of the facility and our credit ratings. The agreement contains financial covenants with respect to leverage and interest coverage and requires us to pay an annual commitment fee on any unused portion. We had no borrowings under our revolving credit facility at October 31, 2017 or at any point during the fiscal year. We were in compliance with all debt covenants as of October 31, 2017.

We continue to monitor our liquidity daily. We remain committed to growing our business and returning capital to shareholders. We expect that our main uses of cash will be paying dividends, acquiring shares of our Non-Voting Common Stock, making seed investments in new products and strategic acquisitions, enhancing our technology infrastructure and paying the operating expenses of our business, which are largely variable in nature and fluctuate with revenue and assets under management. We believe that our existing liquid assets, cash flows from operations and borrowing capacity under our existing credit facility are sufficient to meet our current and forecasted operating cash needs. The risk exists, however, that if we need to raise additional capital or refinance existing debt in the future, resources may not be available to us in sufficient amounts or on acceptable terms. Our ability to enter the capital markets in a timely manner depends on a number of factors, including the state of global credit and equity markets, interest rates, credit spreads and our credit ratings. If we are unable to access capital markets to issue new debt, refinance existing debt or sell shares of our Non-

Voting Common Stock as needed, or if we are unable to obtain such financing on acceptable terms, our business could be adversely affected.

Recoverability of our Investments

Our $898.2 million of investments as of October 31, 2017 consisted of our 49 percent equity interest in Hexavest, positions in Company-sponsored funds and separate accounts entered into for investment and business development purposes, and certain other investments held directly by the Company. Investments in Company-sponsored funds and separate accounts and investments held directly by the Company are generally in liquid debt or equity securities and are carried at fair market value. We test our investments, other than trading and equity method investments, for impairment on a quarterly basis. We evaluate our investments in non-consolidated CLO entities and investments classified as available-for-sale for impairment using quantitative factors, including how long the investment has been in a net unrealized loss position, and qualitative factors, including the credit quality of the underlying issuer and our ability and intent to continue holding the investment. During fiscal 2017, the Company recognized $0.4 million of other-than-temporary impairment losses related to its investment in a non-consolidated CLO entity. If markets deteriorate in the quarters ahead, our assessment of impairment on a quantitative basis may lead us to impair additional investments in future quarters that were in an unrealized loss position at October 31, 2017.

We test our investments in equity method investees, goodwill and indefinite-lived intangible assets in the fourth quarter of each fiscal year, or as facts and circumstances indicate that additional analysis is warranted. There have been no significant changes in financial condition in fiscal 2017 that would indicate that an impairment loss exists at October 31, 2017.

We periodically review our deferred sales commissions and amortizing identifiable intangible assets for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. There have been no significant changes in financial condition in fiscal 2017 that would indicate that an impairment loss exists at October 31, 2017.

Operating Cash Flows

Our operating cash flows are calculated by adjusting net income to reflect other significant sources and uses of cash, certain significant non-cash items and timing differences in the cash settlement of other assets and liabilities. Significant sources and uses of cash that are not reflected in either revenue or expenses include net cash flows associated with our deferred sales commission assets (capitalized sales commissions paid net of contingent deferred sales charges received), as well as net cash flows associated with the purchase and sale of investments within the portfolios of our consolidated sponsored funds and separate accounts (proceeds received from the sale of trading investments net of cash outflows associated with the purchase of trading investments). Significant non-cash items include the amortization of deferred sales commissions and intangible assets, depreciation, stock-based compensation and net change in deferred income taxes.

Cash provided by operating activities totaled $64.9 million in fiscal 2017, a decrease of $275.7 million from $340.5 million in fiscal 2016. The decrease in net cash provided by operating activities year-over-year primarily reflects an increase in net cash used for the purchase of investments in trading securities and a decrease in the cash provided by the operating activities of our previously consolidated CLO entity, partially offset by an increase in the timing differences in the cash settlements of our other assets and liabilities.

Cash provided by operating activities totaled $340.5 million in fiscal 2016, an increase of $120.7 million from $219.9 million in fiscal 2015. The increase in net cash provided by operating activities primarily reflects an increase in the cash provided by the operating activities of our consolidated CLO entities and increases in the timing differences in the cash settlement of other assets and liabilities, offset by an increase in net purchases of trading securities.

Investing Cash Flows

Cash flows from investing activities consist primarily of the purchase of equipment and leasehold improvements, cash paid in acquisitions and the purchase and sale of available-for-sale investments in sponsored funds that we do not consolidate.

Cash used for investing activities totaled $91.4 million in fiscal 2017, of which $31.3 million was used for investing activities of our consolidated CLO entity, compared to cash used for investing activities of $108.3 million in fiscal 2016. Excluding cash flows attributable to investing activities of consolidated CLO entities, the year-over year change in cash used by investing activities can be primarily attributed to an increase in net cash paid in acquisitions of $53.5 million, an increase of $16.0 million in net proceeds from purchases and sales of available-for-sale securities, a decrease in lending to affiliates of $5.0 million and an increase in additions to equipment and leasehold improvements of $2.0 million.

Cash used for investing activities totaled $108.3 million in fiscal 2016 compared to cash provided by investing activities of $84.3 million in fiscal 2015. The change in cash provided by (used for) investing activities can be attributed primarily to a decrease of $128.1 million in the net proceeds from the sales of consolidated CLO entity investments, a decrease of $59.2 million in the net proceeds from the sales and purchases of available-for-sale securities, the issuance of a $5.0 million note receivable to Hexavest and an increase of $1.0 million in payment to sellers of the TABS business in fiscal 2016.

Financing Cash Flows

Financing cash flows primarily reflect the proceeds and repayments associated with the Company’s debt, the issuance and repurchase of our Non-Voting Common Stock, the payment of dividends to our shareholders, the purchase of non-controlling interests in our majority-owned subsidiaries, distributions to non-controlling interest holders of our majority-owned subsidiaries and excess tax benefits associated with stock option exercises and the vesting of restricted stock awards. Financing cash flows also reflect the financing activities of our consolidated funds, including the proceeds from the issuance of capital stock, payments for redemptions and distributions to non-controlling interest holders of these funds. In addition, financing cash flows reflect the financing activities of our consolidated CLO entities, including the issuance and repayment of CLO beneficial interests (senior and subordinated notes) and proceeds and repayments of CLO borrowings.

Cash provided by (used for) financing activities totaled $210.2 million, $(270.2) million and $(221.4) million in fiscal 2017, 2016 and 2015, respectively. In fiscal 2017, the Company issued $300 million of 2027 Senior Notes, resulting in net proceeds of approximately $296.1 million, and redeemed the remaining $250 million of the Company’s 2017 Notes for $255.4 million. In other financing activities, we paid $9.8 million to acquire additional interests in Atlanta Capital and Parametric, repurchased and retired a total of 2.9 million shares of our Non-Voting Common Stock for $126.2 million under our authorized repurchase programs, and issued 7.4 million shares of our Non-Voting Common Stock in connection with the grant of restricted share awards, the exercise of stock options and other employee stock purchases for total proceeds of $210.9 million. As of October 31, 2017, we have authorization to purchase an additional 6.1 million shares under our current share repurchase authorization and anticipate that future repurchases will continue to be an ongoing use of cash. Our dividends declared per share were $1.15 in fiscal 2017 and $1.075 in fiscal 2016. We currently expect to declare and pay quarterly dividends on our Voting and Non-Voting Common Stock comparable to the dividend declared in the fourth quarter of fiscal 2017.

In fiscal 2016, we paid $15.7 million to acquire additional interests in Atlanta Capital and Parametric, repurchased and retired approximately 7.3 million shares of our Non-Voting Common Stock for $253.0 million under our authorized repurchase programs and issued 5.4 million shares of our Non-Voting Common Stock in connection with the grant of restricted share awards, the exercise of stock options and other employee stock purchases for total proceeds of $110.4 million.

In fiscal 2015, cash used for financing activities included $381.5 million in principal payments made on senior notes, lines of credit and redeemable preferred shares of consolidated CLO entities, as well as $485.2 million related to the proceeds from the line of credit and the issuance of new senior notes and redeemable preferred shares of those entities.

Contractual Obligations

The following table details our contractual obligations as of October 31, 2017:

	Payments due by Period				
(in millions)	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**More than 5 Years**
Operating leases – facilities and equipment[(1)]	$ 328	$ 23	$ 47	$ 40	$ 218
Senior notes	625	-	-	-	625
Interest payment on senior notes	170	22	45	45	58
Payments to non-controlling interest holders of majority-owned subsidiaries	13	13	-	-	-
Unrecognized tax benefits[(2)]	2	1	1	-	-
Total	$ 1,138	$ 59	$ 93	$ 85	$ 901
Contractual obligations of consolidated CLO entity:					
Line of credit	$ 13	$ 13	$ -	$ -	$ -
Total for consolidated CLO entity	$ 13	$ 13	$ -	$ -	$ -

(1) *Minimum payments have not been reduced by minimum sublease rentals of $0.1 million to be received in the future under non-cancelable subleases.*

(2) *This amount includes unrecognized tax benefits along with accrued interest and penalties.*

Non-controlling interests held by employees in Atlanta Capital and Parametric long-term equity incentive plans are not subject to mandatory redemption. The purchase of non-controlling interests is predicated on the exercise of a series of puts held by non-controlling interest holders and calls held by us. The puts provide the non-controlling interest holders the right to require us to purchase these retained interests at specific intervals over time, while the calls provide us with the right to require the non-controlling interest holders to sell their retained equity interests to us at specified intervals over time, as well as upon the occurrence of certain events such as death or permanent disability. These non-controlling interests are redeemable at fair value. There is significant uncertainty as to the timing and amount of any non-controlling interest purchase in the future.

Accordingly, future payments to be made to purchase non-controlling interests have been excluded from the above table, unless a put or call option has been exercised and a mandatory firm commitment exists for us to purchase such non-controlling interests. Although the timing and amounts of these purchases cannot be predicted with certainty, we anticipate that the purchase of non-controlling interests in our consolidated subsidiaries may be a significant use of cash in future years. In the table above, payments to non-controlling interest holders of majority-owned subsidiaries include $4.2 million and $5.7 million of payments upon the execution of termination call options by the Company related to indirect profit interests held by terminated employees of Atlanta Capital and Parametric, respectively. These transactions settled in November 2017. Within the same line in the table above is $2.8 million related to the Company's exercise of a final call option pursuant to the terms of the Atlanta Capital original acquisition agreement, as amended. This transaction is expected to settle in December 2017.

We have presented all redeemable non-controlling interests at redemption value on our Consolidated Balance Sheet as of October 31, 2017. We have recorded the current year change in the estimated redemption value of non-controlling interests redeemable at fair value as a component of additional paid-in capital and have recorded the current year change in the estimated redemption value of non-controlling interests redeemable at other than fair value (non-controlling interests redeemable based on a multiple of earnings before interest and taxes of the subsidiary) as a component of net income attributable to non-controlling and other beneficial interests. Based on our calculations, the estimated redemption value of our non-controlling interests totaled $250.8 million on October 31, 2017 compared to $109.0 million on October 31, 2016. These interests are all redeemable at fair value. No puts or calls redeemable at other than fair value were outstanding as of October 31, 2017.

Redeemable non-controlling interests as of October 31, 2017 consisted of third-party investors' ownership in consolidated investment funds of $154.1 million, non-controlling interests in Parametric issued in conjunction with the Clifton Group Investment Management Company (Clifton) acquisition of $8.4 million, non-controlling interests in Parametric issued in conjunction with the Parametric Risk Advisors LLC (Parametric Risk Advisors) final put option of $14.7 million and profit interests granted under the long-term incentive plans of Parametric and Atlanta Capital of $46.3 million and $27.3 million, respectively, all of which are redeemable at fair value.

We have elected to maintain the Company's ownership interest in Hexavest at 49 percent. On December 11, 2017, we notified the employee-owners of Hexavest that we would not be exercising our option to purchase an additional 26 percent interest under the terms of the option agreement entered into when we acquired our Hexavest position in 2012. As a result, there will be no future payment related to this option, which has been excluded from the table above.

In November 2010, we acquired patents and other intellectual property from Managed ETFs LLC, a developer of intellectual property in the field of exchange-traded funds. This intellectual property is the foundation of the Company's NextShares™ exchange-traded managed funds initiative. The terms of the acquisition of the patents and other intellectual property of Managed ETFs LLC include approximately $9.0 million in aggregate contingent milestone payments that are based on specific events representing key developments in the commercialization of NextShares. There is no defined timing on these payments, resulting in significant uncertainty as to when the amount of any payment is due in the future. Accordingly, future payments to be made have been excluded from the above table until such time as the uncertainty has been resolved. If and when the milestones are reached, Managed ETFs LLC is also entitled to revenue-sharing payments that are calculated as a percentage of licensing revenue that we receive for use of the acquired intellectual property.

Foreign Subsidiaries

We consider the undistributed earnings of certain of our foreign subsidiaries to be indefinitely reinvested in foreign operations as of October 31, 2017. Accordingly, no U.S. income taxes have been provided thereon. As of October 31, 2017, the Company had approximately $61.7 million of undistributed earnings in certain Canadian, United Kingdom and Australian foreign subsidiaries that are not available to fund domestic operations or to distribute to shareholders unless repatriated. Repatriation would require the Company to accrue and pay U.S. corporate income taxes. The unrecognized deferred income tax liability on these un-repatriated funds, or temporary difference, is estimated to be $7.7 million at October 31, 2017. The Company does not intend to repatriate these funds, has not previously repatriated funds from these entities, and has the financial liquidity to permanently leave these funds offshore.

Off-Balance Sheet Arrangements

We do not invest in any off-balance sheet vehicles that provide financing, liquidity, market or credit risk support or engage in any leasing activities that expose us to any liability that is not reflected in our Consolidated Financial Statements.

Critical Accounting Policies

We believe the following critical accounting policies reflect our accounting policies that require significant judgments and estimates used in the preparation of our Consolidated Financial Statements. Actual results may differ from these estimates.

Consolidation of variable interest entities (VIEs)
Accounting guidance provides a framework for determining whether an entity should be considered a VIE and, if so, whether our involvement with the entity represents a variable interest in the entity. If we determine that we have a variable interest in a VIE, we must perform an analysis to determine whether we are the primary beneficiary of the VIE. If we determine we are the primary beneficiary of the VIE, we are required to consolidate the assets, liabilities, results of operations and cash flows of the VIE.

Our evaluation of whether we qualify as the primary beneficiary of a VIE is complex. We are the primary beneficiary of a VIE if we have a controlling financial interest in the VIE. A company is deemed to have a controlling financial interest in a VIE if it has both (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

For collateralized loan obligation (CLO) entities, we must evaluate the relative size of our beneficial interest and the overall magnitude and design of the collateral management fees within each structure. There is also judgment involved in assessing whether we have the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses of or the right to receive benefits from the VIE that could potentially be significant.

While we believe our overall evaluation of VIEs is appropriate, future changes in estimates, judgments and assumptions or changes in our ownership interests in a VIE may affect the resulting consolidation, or deconsolidation, of the assets, liabilities, results of operations and cash flows of a VIE.

Fair value measurements
The accounting standards for fair value measurement provide a framework for measuring fair value and require expanded disclosures regarding fair value measurements. Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The accounting standards establish a fair value measurement hierarchy, which requires an entity to maximize the use of observable inputs where available. This fair value measurement hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

We utilize third-party pricing services to value investments in various asset classes, including interests in senior floating-rate loans and other debt obligations, derivatives and certain foreign equity securities, as further discussed below. Valuations provided by the pricing services are subject to exception reporting that identifies securities with significant movements in valuation, as well as investments with no movements in valuation. These exceptions are reviewed by us on a daily basis. We compare the price of trades executed by us to the valuations provided by the third-party pricing services to identify and research significant variances. We periodically compare the pricing service valuations to valuations provided by a secondary independent source when available. Market data provided by the pricing services and other market participants, such as the Loan Syndication and Trading Association (LSTA) trade study, is reviewed to assess the reliability of the provided data. Our Valuation Committee reviews the general assumptions underlying the methodologies used by the pricing services to value various asset classes at least annually. Throughout the year, members of our Valuation Committee meet with the service providers to discuss any significant changes to the service providers' valuation methodologies or operational processes.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories based on the nature of the inputs that are significant to the fair value measurements in their entirety. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value measurement hierarchy. In such cases, an investment's classification within the fair value measurement hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Level 1	Unadjusted quoted market prices in active markets for identical assets or liabilities at the reporting date.
Level 2	Observable inputs other than Level 1 unadjusted quoted market prices, such as quoted market prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities that are not active, and inputs other than quoted prices that are observable or corroborated by observable market data.
Level 3	Unobservable inputs that are supported by little or no market activity.

We recognize any transfers between levels at the end of each quarter.

Income taxes
Deferred income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts and tax bases of our assets and liabilities measured using rates expected to be in effect when such differences reverse. To the extent that deferred tax assets are considered more likely than not to be unrealizable, valuation allowances are provided. Proposed changes in U.S. tax policy, which include a proposal to reduce federal tax rates for corporations, may impact the carrying value of deferred tax assets and liabilities due to the change in future tax rates. Remeasurement of deferred taxes for a corporate rate reduction and

other applicable provisions of tax reform will be recorded as an expense or benefit in the period that the new legislation is enacted.

Our effective tax rate reflects the statutory tax rates of the many jurisdictions in which we operate. Significant judgment is required in evaluating our tax positions. In the ordinary course of business, many transactions occur for which the ultimate tax outcome is uncertain. Accounting standards governing the accounting for uncertainty in income taxes for a tax position taken or expected to be taken in a tax return require that the tax effects of a position be recognized only if it is more likely than not to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold must be met in each reporting period to support continued recognition of the benefit. The difference between the tax benefit recognized in the financial statements for a tax position and the tax benefit claimed in the income tax return is referred to as an unrecognized tax benefit. Unrecognized tax benefits, as well as the related interest and penalties, are regularly evaluated and adjusted as appropriate to reflect changing facts and circumstances. We classify any interest or penalties incurred as a component of income tax expense.

Goodwill

Goodwill represents the excess of the cost of our investment in the net assets of acquired companies over the fair value of the underlying identifiable net assets at the dates of acquisition. We attribute all goodwill associated with the acquisitions of Atlanta Capital, Parametric and Clifton, which share similar economic characteristics, to one reporting unit. We attribute all goodwill associated with the acquisition of the TABS business of M.D. Sass Investor Services and other acquisitions to a second reporting unit.

Goodwill is not amortized but is tested annually for impairment in the fourth quarter of each fiscal year by comparing the fair values of identified reporting units to their respective carrying amounts, including goodwill. We establish fair value for the purpose of impairment testing for each reporting unit by using an income approach and a market approach.

The income approach employs a discounted cash flow model that takes into account (1) assumptions that market participants would use in their estimates of fair value, (2) current period actual results and (3) budget projections for future periods that have been vetted by senior management. The discounted cash flow model incorporates the same fundamental pricing concepts used to calculate fair value in the acquisition due diligence process and a discount rate that takes into consideration our estimated cost of capital adjusted for the uncertainty inherent in the forecasted information.

The market approach employs market multiples based on comparable publicly traded companies in the financial services industry, calculated with data from industry sources. Estimates of fair value are established using current and forward multiples of both revenue and earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted for size and performance of the reporting unit relative to peer companies.

If the carrying amount of the reporting unit exceeds its calculated fair value, the second step of the goodwill impairment test will be performed to measure the amount of the impairment loss, if any.

Intangible assets

Amortizing identifiable intangible assets generally represent the cost of client relationships, intellectual property, trademarks, and research systems. In valuing these assets, we make assumptions regarding useful lives and projected growth rates, and significant judgment is required. We periodically review our amortizing identifiable intangible assets for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the carrying amounts of those assets exceed their respective fair values, additional impairment tests are performed to measure the amounts of the impairment losses, if any.

Non-amortizing intangible assets generally represent the cost of mutual fund management contracts acquired. Non-amortizing intangible assets are tested for impairment in the fourth quarter of each fiscal year by comparing the fair values of the management contracts acquired to their carrying values. We establish fair value for purposes of impairment testing using the income approach. If the carrying value of a management contract acquired exceeds its fair value, an impairment loss is recognized equal to that excess.

Stock-based compensation

We account for stock-based compensation expense at fair value. Under the fair value method, stock-based compensation expense, which reflects the fair value of stock-based awards measured at grant date, is recognized on a straight-line basis over the relevant service period (generally five years) and is adjusted each period for anticipated forfeitures.

The fair value of each option award granted is estimated using the Black-Scholes option valuation model. The Black-Scholes option valuation model incorporates assumptions as to dividend yield, expected volatility, an appropriate risk-free interest rate and the expected life of the option.

The fair value of profit interests granted under subsidiary long-term equity plans is estimated on the grant date by averaging fair value established using an income approach and fair value established using a market approach for each subsidiary. The income and fair value approaches used in the determination of grant date fair value of profit interests are consistent with those described in Goodwill above.

Tax benefits realized upon the exercise of stock options that are in excess of the expense previously recognized for financial reporting purposes are recorded in shareholders' equity and reflected as a financing activity in our Consolidated Statements of Cash Flows. If the tax benefit realized is less than the expense previously recorded, the shortfall is recorded in shareholders' equity. To the extent the expense exceeds available windfall tax benefits, it is recorded in our Consolidated Statements of Income and reflected as an operating activity on our Consolidated Statements of Cash Flows.

Non-controlling interests

Non-redeemable non-controlling interests consist entirely of unvested interests granted to employees of our majority-owned subsidiaries under subsidiary-specific long-term equity plans. These grants become subject to holder put rights upon vesting and are reclassified to temporary equity as vesting occurs.

Non-controlling interests redeemable at fair value consist of interests in our consolidated sponsored funds and certain vested interests held by employees of our majority-owned subsidiaries that were granted under the subsidiaries' long-term equity plans. Our non-controlling interests redeemable at fair value are recorded in temporary equity at estimated redemption value and changes in the estimated redemption value of these interests are recognized as increases or decreases to additional paid-in capital.

Non-controlling interests redeemable at other than fair value consisted of certain other interests in our majority-owned subsidiaries. During the fiscal year ended October 31, 2017, the Company acquired the remaining profit interests held by the non-controlling interest holders of Atlanta Capital. As a result, the Company had no non-controlling interests that are redeemable at other than fair value as of October 31, 2017.

Accounting Developments

See Note 1, "Summary of Significant Accounting Policies – Adoption of new accounting standards," and Note 2, "New Accounting Standards Not Yet Adopted," in the Notes to Consolidated Financial Statements.

Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, our financial position is subject to different types of risk, including market risk. Market risk is the risk that we will incur losses due to adverse changes in equity and bond prices, interest rates, credit events or currency exchange rates. Management is responsible for identifying, assessing and managing market and other risks.

In evaluating market risk, it is important to note that most of our revenue is based on the market value of assets under management. As noted in "Risk Factors" in this Annual Report, declines of financial market values negatively impact our revenue and net income.

Our primary direct exposure to equity price risk arises from investments in equity securities made by consolidated sponsored funds, investments in equity securities held in separately managed accounts seeded for new product development purposes and our investments in sponsored equity funds that are not consolidated. Equity price risk as it relates to these investments represents the potential future loss of value that would result from a decline in the fair values of the fund shares or underlying equity securities.

The following is a summary of the effect that a 10 percent increase or decrease in equity prices would have on our investments subject to equity price fluctuations at October 31, 2017:

(in thousands)	Carrying Value	Carrying Value Assuming a 10% Increase	Carrying Value Assuming a 10% Decrease
Investment securities, trading:			
Consolidated sponsored funds and separately managed accounts	$ 181,488	$ 199,637	$ 163,339
Investment securities, available-for-sale:			
Sponsored funds	21,063	23,169	18,957
Total	$ 202,551	$ 222,806	$ 182,296

At October 31, 2017, we were exposed to interest rate risk and credit spread risk as a result of approximately $527.6 million in investments in fixed and floating-rate income funds sponsored or managed by us, debt securities held by sponsored funds we consolidate, debt securities held in separately managed accounts seeded for new product development purposes and short-term debt securities held directly by us. Management considered a hypothetical 100 basis point change in interest rates and determined that an increase of such magnitude would result in a decrease of approximately $5.3 million in the carrying amount of our debt investments and that a decrease of 100 basis points would increase the carrying amount of such investments by approximately $5.3 million.

Currently we have a corporate hedging program in place to hedge currency risk, interest rate risk and market price exposures on certain investments in consolidated sponsored funds and separately managed accounts seeded for new product development purposes. As part of this program, we enter into forwards, futures and swap contracts to hedge certain exposures held within the portfolios of these consolidated sponsored funds and separately managed accounts. The contracts negotiated are short term in nature. We do not enter into derivative instruments for speculative purposes.

At October 31, 2017, we had outstanding foreign exchange contracts, stock index futures contracts, currency futures contracts, commodity futures contracts, interest rate futures contracts and total return swap contracts with aggregate notional values of approximately $28.1 million, $118.1 million, $14.5 million, $10.2 million, $25.6 million and $50.2 million, respectively. We estimate that a 10 percent adverse change in market prices would result in a decrease of approximately $59,000, $269,000, $15,000, $6,000, $18,000 and $57,000, respectively, in the fair value of open foreign exchange contracts, stock index futures contracts, currency futures contracts, commodity futures contracts, interest rate futures contracts and total return swap contracts held at October 31, 2017.

We are required to maintain cash collateral for margin accounts established to support certain derivative positions. Our initial margin requirements are currently equal to five percent of the initial underlying value of our stock index futures contracts, currency futures contracts, commodity futures contracts and interest rate futures contracts. Additional margin requirements include daily posting of variation margin equal to the daily change in the position value. We do not have a collateral requirement related to foreign exchange contracts or total return swap contracts. Cash collateral supporting margin requirements is classified as restricted cash and is included as a component of other assets on our Consolidated Balance Sheets. At October 31, 2017, cash collateral included in other assets on our Consolidated Balance Sheet totaled $8.5 million.

Direct exposure to credit risk arises from our interests in non-consolidated CLO entities that are included in investments in our Consolidated Balance Sheets, as well as our interests in consolidated CLO entities that are eliminated in consolidation. Our CLO entity investments entitle us only to a residual interest in the CLO entity, making these investments highly sensitive to the default and recovery experiences of the underlying instruments held by the CLO entity. Our CLO investments are subject to an impairment loss in the event that the cash flows generated by the collateral securities are not sufficient to allow equity holders to recover their investments. If there is deterioration in the credit quality of collateral and reference securities and a corresponding increase in defaults, CLO entity cash flows may be adversely impacted and we may be unable to recover our investment. We had total investments in non-consolidated CLO entities of $3.6 million and an investment of $18.8 million in our consolidated CLO entity as of October 31, 2017, representing our total value at risk with respect to such entities as of that date.

We are subject to foreign currency exchange risk through our international operations. While we operate primarily in the United States and, accordingly, most of our consolidated revenue and associated expenses are denominated in U.S. dollars, we also provide services and earn revenue outside of the United States. Revenue and expenses denominated in foreign currencies may be impacted by movements in foreign currency exchange rates. The exposure to foreign currency exchange risk in our Consolidated Balance Sheets relates primarily to an equity method investment and cash and cash equivalents that are denominated in foreign currencies, principally Canadian dollars. This risk will likely increase as our business outside of the United States grows. We generally do not use derivative financial instruments to manage the foreign currency exchange risk exposure we assume in connection with investments in international operations. As a result, both positive and negative currency fluctuations against the U.S. dollar may affect our results of operations and accumulated other comprehensive income (loss). We do not enter into foreign currency transactions for speculative purposes.

Risk Factors

We are subject to substantial competition in all aspects of our investment management business. Our funds and separate accounts compete against a large number of investment products and services sold to the public by investment management companies, investment dealers, banks, insurance companies and others. Many institutions we compete with have greater financial resources than us and there are few barriers to entry. We compete with these firms on the basis of investment performance, diversity of products, distribution capability, scope and quality of services, reputation and the ability to develop new investment strategies and products to meet the changing needs of investors. To the extent that current or potential customers decide to invest in products sponsored by our competitors, the sales of our products as well as our market share, revenue and net income could decline. Our actively managed investment strategies compete not only against other active strategies, but also against similarly positioned index strategies. The continuing shift in market demand toward index funds and other passive strategies reduces opportunities for active managers and may accelerate fee compression. To the extent that trend continues, our business could be adversely affected.

The investment management industry is highly competitive and investment management customers are increasingly fee sensitive. In the event that competitors charge lower fees for substantially similar products, we may be forced to compete on the basis of price in order to attract and retain customers. Rules and regulations applicable to registered investment companies provide, in substance, that each investment advisory agreement between a fund and its investment adviser continues in effect from year to year only if its continuation is approved at least annually by the fund's board of trustees. Periodic review of fund advisory agreements could result in a reduction in the Company's advisory fee revenues from funds. Fee reductions on existing or future business and/or the impact of evolving industry fee structures could have an adverse impact on our future revenue and profitability.

The inability to access clients through intermediaries could have a material adverse effect on our business. Our ability to market investment products is highly dependent on access to the various distribution systems of national and regional securities dealer firms, which generally offer competing products that could limit the distribution of our investment products. There can be no assurance that we will be able to retain access to these intermediaries. The inability to have such access could have a material adverse effect on our business. To the extent that existing or potential customers, including securities broker-dealers, decide to invest in or broaden distribution relationships with our competitors, the sales of our products as well as our market share, revenue and net income could decline. Certain intermediaries with which we conduct business charge the Company fees to maintain access to their distribution networks. If we choose not to pay such fees, our ability to distribute through those intermediaries would be limited.

Our investment advisory agreements are subject to termination on short notice or non-renewal. We derive almost all of our revenue from management fees, distribution income and service fees received from managed funds and separate accounts. As a result, we are dependent upon management contracts, administrative contracts, distribution contracts, underwriting contracts or service contracts under which these fees are paid. Generally, these contracts are terminable upon 30 to 60 days' notice without penalty. If any of these contracts are terminated, not renewed, or amended to reduce fees, our financial results could be adversely affected.

Our assets under management, which impact revenue, are subject to significant fluctuations. Our major sources of revenue, including investment advisory, administrative, distribution and service fees, are generally calculated as percentages of assets under management. Fee rates for our investment products generally vary by investment mandate (e.g., equity, fixed income, floating-rate income, alternative, portfolio implementation or exposure management services) and vehicle (e.g., fund or separate account). An adverse change in asset mix by mandate or vehicle, independent of our level of assets under management, may result in a decrease in our overall average effective fee rate, thereby reducing our revenue and net income. Any decrease in the level of our assets under management generally would also reduce our revenue and net income. Assets under management could decrease due to, among other things, a decline in securities prices, a decline in the sales of our investment products, an increase in open-end fund redemptions or client withdrawals, repurchases of or other reductions in closed-end fund shares outstanding, or reductions in leverage used by investment vehicles. Adverse market conditions and/or lack of investor confidence in the financial markets could lead to a decrease in investor risk tolerance. A decrease in investor risk tolerance could result in investors withdrawing from markets or decreasing their rate of investment, thereby reducing our overall assets under management and adversely affecting our revenue, earnings and growth prospects. Changes in investor risk tolerance could also result in investor allocation away from higher-fee products to lower-fee products, which could adversely affect our revenue and earnings. Our overall assets under management may not change in tandem with overall market conditions, as changes in our total assets under management may lag improvements or declines in the market based upon product mix and investment performance.

We could be adversely affected by changes in tax laws. Currently proposed and future changes in U.S. tax policy may affect us to a greater degree than many of our competitors because we manage significant assets in funds and separate accounts with an after-tax return objective. In addition, the currently proposed reduction in the federal tax rate for corporations may lower the carrying value of our deferred tax assets due to change in future tax rates.

Exposure to additional tax liabilities could have a material impact on our financial condition, results of operations and/or liquidity. Tax authorities may disagree with certain positions we take and assess additional taxes. We regularly assess the likely outcomes of these audits in order to determine the appropriateness of our tax provision. However, there can be no assurance that we will accurately predict the outcomes of these audits, and the actual outcomes of these audits could have a material impact on our financial statements. We are subject to ongoing tax audits in various jurisdictions, including several states. Changes in tax laws or tax rulings could materially impact our effective tax rate.

Poor investment performance of our products could affect our sales or reduce the amount of assets under management, negatively impacting revenue and net income. Investment performance is critical to our success. Poor investment performance on an absolute basis or as compared to third-party benchmarks or competitor products could lead to a decrease in sales and stimulate higher redemptions, thereby lowering the amount of assets under management and reducing the investment advisory fees we earn. A decline in investment performance of any investment franchise could have a material adverse effect on the level of assets under management, revenue and net income of that franchise. Past or present performance in the investment products we manage is not indicative of future performance.

Our clients can withdraw the assets we manage on short notice, making our future client and revenue base unpredictable. Our open-end fund clients generally may redeem their investments in these funds each business day without prior notice. While not subject to daily redemption, closed-end funds that we manage may shrink in size due to repurchases of shares in open-market transactions or pursuant to tender offers, or in connection with distributions in excess of realized returns. Institutional and individual separate account clients can terminate their relationships with us generally at any time. In a declining stock market, the pace of open-end fund redemptions could accelerate. Poor performance relative to other asset management firms can result in decreased purchases of open-end fund shares, increased redemptions of open-end fund shares, and the loss of institutional or individual separate accounts. The decrease in revenue that could result from any of these events could have a material adverse effect on our business.

We could be impacted by counterparty or client defaults. As we have seen in periods of significant market volatility, the deteriorating financial condition of one financial institution may materially and adversely impact the performance of others. We, and the funds and accounts we manage, have exposure to many different counterparties, and routinely execute transactions with counterparties across the financial industry. We, and the funds and accounts we manage, may be exposed to credit, operational or other risk in the event of a default by a counterparty or client, or in the event of other unrelated systemic market failures.

Our success depends on key personnel and our financial performance could be negatively affected by the loss of their services. Our success depends upon our ability to attract, retain and motivate qualified portfolio managers, analysts, investment counselors, sales and management personnel and other key professionals, including our executive officers. Our key employees generally do not have employment contracts and may voluntarily terminate their employment at any time. Certain senior executives and the non-employee members of our Board of Directors are subject to our mandatory retirement policy at age 65 and age 74, respectively. The loss of the services of key personnel or our failure to attract replacement or additional qualified personnel could negatively affect our financial performance. An increase in compensation to attract or retain personnel could result in a decrease in net income.

Our expenses are subject to fluctuations that could materially affect our operating results. Our results of operations are dependent on our level of expenses, which can vary significantly from period to period. Our expenses may fluctuate as a result of, among other things, variations in the level of compensation, expenses incurred to support distribution of our investment products, expenses incurred to develop new products and franchises, expenses incurred to enhance our infrastructure (including technology and compliance) and impairments of intangible assets or goodwill. Increases in our level of expenses, or our inability to reduce our level of expenses when necessary, could materially affect our operating results.

Our business is subject to operational risk. In the management and administration of funds and client accounts, we are subject to the risk that we commit errors that cause the Company to incur financial losses and damage our reputation. Because they involve large numbers of accounts and operate at generally low fee rates, our portfolio implementation and exposure management services businesses may be particularly susceptible to losses from operational or trading errors.

Our reputation could be damaged. We have built a reputation of high integrity, prudent investment management and superior client service. Our reputation is extremely important to our success. Any damage to our reputation could result in client withdrawals from funds or separate accounts that are advised by us and ultimately impede our ability to attract and retain key personnel. The loss of either client relationships or key personnel due to damage to our reputation could reduce the amount of assets under management and cause us to suffer a loss in revenue or a reduction in net income.

Success of our NextShares initiative is highly uncertain. In recent years, the Company has devoted substantial resources to the development of NextShares, a new type of actively managed fund designed to provide better performance for investors. The Company made progress advancing its NextShares initiative in fiscal 2017, and expects to continue the staged introduction of NextShares in fiscal 2018. Broad market adoption and commercial success requires the development of expanded distribution, the launch of NextShares by other fund sponsors and acceptance by market participants, which cannot be assured.

Support provided to new products may reduce fee income, increase expenses and expose us to potential loss on invested capital. We may support the development of new investment products by waiving all or a portion of the fees we receive for managing such products, by subsidizing expenses or by making seed capital investments. Seed investments in new products utilize Company capital that would otherwise be available for general corporate purposes and expose us to capital losses to the extent that realized investment losses are not offset by hedging gains. The risk of loss may be greater for seed capital investments that are not hedged, or if an intended hedge does not perform as expected. Failure to have or devote sufficient capital to support new products could have an adverse impact on our future growth.

We may need to raise additional capital or refinance existing debt in the future, and resources may not be available to us in sufficient amounts or on acceptable terms. Significant future demands on our capital include contractual obligations to service our debt, satisfy the terms of non-cancelable operating leases and purchase non-controlling interests in our majority-owned subsidiaries as described more fully in Contractual Obligations in Management's Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report and in Note 10 in this Annual Report. Although we believe our existing liquid assets, cash flows from operations and borrowing capacity under our credit facility are sufficient to meet our current and forecasted operating cash needs, our ability to satisfy our long-term contractual obligations may be dependent on our ability to access capital markets. Our ability to access capital markets efficiently depends on a number of factors, including the state of global credit and equity markets, interest rates, credit spreads and our credit ratings. If we are unable to access capital markets to issue new debt, refinance existing debt or sell shares of our Non-Voting Common Stock as needed, or if we are unable to obtain such financing on acceptable terms, our business could be adversely impacted.

We could be subject to losses and reputational harm if we, or our agents, fail to properly safeguard sensitive and confidential information or as a result of cyber attacks. We are dependent on the effectiveness of our information and cyber security policies, procedures and capabilities to protect our computer and telecommunications systems and the data that resides in or is transmitted through such systems. As part of our normal operations, we maintain and transmit confidential information about our clients and employees as well as proprietary information relating to our business operations. We maintain a system of internal controls designed to provide reasonable assurance that fraudulent activity, including misappropriation of assets, fraudulent financial reporting and unauthorized access to sensitive or confidential data, is either prevented or detected on a timely basis. Nevertheless, all technology systems remain vulnerable to unauthorized access and may be corrupted by cyber attacks, computer viruses or other malicious software code, the nature of which threats are constantly evolving and becoming increasingly sophisticated. In addition, authorized persons could inadvertently or intentionally release confidential or proprietary information. Although we take precautions to password protect and encrypt our mobile electronic hardware, if such hardware is stolen, misplaced or left unattended, it may become vulnerable to hacking or other unauthorized use, creating a possible security risk and resulting in potentially costly actions by us. Breach or other failure of our technology systems, including those of third parties with which we do business, or failure to timely and effectively identify and respond to any such breach or failure, could result in the loss of valuable information, liability for stolen assets or information, remediation costs to repair damage caused by the incident, additional security costs to mitigate against future incidents and litigation costs resulting from the incident. Moreover, loss of confidential customer identification information could harm our reputation, result in the termination of contracts by our existing customers and subject us to liability under laws that protect confidential personal data, resulting in increased costs or loss of revenues. Recent well-publicized security breaches at other companies have led to enhanced government and regulatory scrutiny of the measures taken by companies to protect against cyber attacks, and may in the future result in heightened cyber security requirements, including additional regulatory expectations for oversight of vendors and service providers.

Failure to maintain adequate infrastructure could impede our productivity and ability to support business growth. Our infrastructure, including our technological capacity, data centers and office space, is vital to the operations and competitiveness of our business. The failure to maintain an infrastructure commensurate with the size and scope of our business, including any expansion, could impede our productivity and growth, which could result in a decline in our earnings.

Failure to maintain adequate business continuity plans could have a material adverse impact on us and our products. Significant portions of our business operations and those of our critical third-party service providers are concentrated in a few geographic areas, including Boston, Massachusetts and Seattle, Washington. Critical operations that are geographically concentrated in Boston and/or Seattle include trading operations, information technology, fund administration, and custody and portfolio accounting services for the Company's products. Should we, or any of our critical service providers, experience a significant local or regional disaster or other business continuity problem, our continued success will depend in part on the safety and availability of our personnel, our office facilities, and the proper functioning of our computer, telecommunication and other related systems and operations. The failure by us, or any of our critical service providers, to maintain updated adequate business continuity plans, including backup facilities, could impede our ability to operate in the event of a disruption, which could cause our earnings to decline. We have developed various backup systems and contingency plans but we cannot be assured that they will be adequate in all circumstances that could arise or that material interruptions and disruptions will not occur. In addition, we rely to varying degrees on outside vendors for disaster contingency support, and we cannot be assured that these vendors will be able to perform in an adequate and timely manner. If we, or any of our critical service providers, are unable to respond adequately to such an event in a timely manner, we may be unable to continue our business operations, which could lead to a damaged reputation and loss of customers that results in a decrease in assets under management, lower revenues and reduced net income.

We pursue growth in the United States and abroad in part through acquisitions, which exposes us to risks inherent in assimilating new operations, expanding into new jurisdictions and executing on new development opportunities. Our growth strategy is based in part on the selective development or acquisition of asset management or related businesses that we believe will add value to our business and generate positive net returns. This strategy may not be effective, and failure to successfully develop and implement such a strategy may decrease earnings and harm the Company's competitive position in the investment management industry. We cannot guarantee that we will identify and consummate any such transactions on acceptable terms or have sufficient resources to accomplish such a strategy. In addition, any strategic transaction can involve a number of risks, including additional demands on our staff; unanticipated problems regarding integration of operating facilities, technologies and new employees; and the existence of liabilities or contingencies not disclosed to or otherwise known by us prior to closing a transaction. As a result, the Company may not be able to realize all of the benefits that it hoped to achieve from such transactions. In addition, we may be required to spend additional time or money on integration that would otherwise be spent on the development and expansion of our business and services.

Expansion into international markets and the introduction of new products and/or services increases our operational, regulatory and other risks. We continue to increase our product offerings and international business activities. As a result of such expansion, we face increased operational, regulatory, compliance and reputational risks. The failure of our compliance and internal control systems to properly mitigate such additional risks, or of our operating infrastructure to support such expansion, could result in operational failures and regulatory fines or sanctions. Our operations in the United Kingdom, the European Economic Area, Australia and Singapore are subject to significant compliance, disclosure and other obligations. We incur additional costs to satisfy the requirements of the European Union Directive on Undertakings for Collective Investments in Transferable Securities, the Alternative Investment Fund Managers Directive and the Markets in Financial Instruments Directive (which is to be replaced, as described below) (together, the Directives). The Directives may also limit our operating flexibility and impact our ability to expand in European markets.

Activity in international markets also exposes us to fluctuations in currency exchange rates, which may adversely affect the U.S. dollar value of revenues, expenses and assets associated with our business activities outside the United States. Actual and anticipated changes in current exchange rates may also adversely affect international demand for our investment products and services, most of which represent investments primarily in U.S. dollar-based assets. Because certain of our costs to support international business activities are based in local currencies, the profitability of such activities in U.S. dollar terms may be adversely affected by a weakening of the U.S. dollar versus other currencies in which we derive significant revenues.

Legal and regulatory developments affecting the investment industry could increase our regulatory costs and/or reduce our revenues. Our business is subject to complex and extensive regulation by various regulatory authorities in jurisdictions around the world. This regulatory environment may be altered without notice by new laws or regulations, revisions to existing regulations or new interpretations or guidance. Global financial regulatory reform initiatives may result in more stringent regulation, and changes in laws or regulations and their application to us could have a material adverse impact on our business, our profitability and mode of operations. In recent years, regulators in both the United States and abroad have increased oversight of the financial sector of the economy. Some of the newly adopted and proposed regulations are focused directly on the investment management industry, while others are more broadly focused, but impact our industry. It is uncertain how regulatory trends will be affected by current and future political developments.

Under a final rule and interpretive guidance issued by FSOC in April 2012, certain non-bank financial institutions have been designated for the Federal Reserve's supervision as SIFIs. Additional non-bank financial companies, which may include large asset management companies such as us, may be designated as SIFIs in the future. If we are designated a SIFI, we would be subject to enhanced prudential measures, which could include capital and liquidity requirements, leverage limits, enhanced public disclosures and risk management requirements, annual stress testing by the Federal Reserve, credit exposure and concentration limits, supervisory and other requirements. These heightened regulatory obligations could, individually or in the aggregate, adversely impact our business and operations.

Eaton Vance Management, Parametric and BMR are registered with the Commodity Futures Trading Commission (CFTC) and the National Futures Association (NFA) as Commodity Pool Operators and Commodity Trading Advisors; other subsidiaries of the Company claim exemptions from registration. In August 2013, the CFTC adopted rules for operators of registered mutual funds that are subject to registration as Commodity Pool Operators generally allowing such commodity pools to comply with SEC disclosure, reporting and recordkeeping rules as the means of complying with CFTC's similar requirements. These CFTC rules do not, however, relieve registered Commodity Pool Operators from compliance with applicable anti-fraud provisions as well as certain performance reporting and recordkeeping requirements. The Company may incur ongoing costs associated with monitoring compliance with these requirements, including, but not limited to, CFTC and NFA registration and exemption obligations and the periodic reporting requirements of Commodity Pool Operators and Commodity Trading Advisors.

The regulation of derivatives markets has undergone substantial change in recent years and such change may continue. In particular, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), and regulations proposed to be promulgated thereunder require many derivatives to be cleared and traded on an exchange, expand entity registration requirements, impose business conduct requirements on counterparties, and impose other regulatory requirements that will continue to change derivative markets as regulations are implemented. Additional regulation of the derivatives markets may make the use of derivatives more costly, may limit the availability or reduce the liquidity of derivatives, and may impose limits or restrictions on the counterparties to derivative transactions.

Certain of our subsidiaries are required to file quarterly reports on Form PF for private funds they manage, pursuant to systemic risk reporting requirements adopted by the SEC. These filings require significant investments in people and systems to ensure timely and accurate reporting. Further investment will be necessary in the coming years as we implement rules adopted by the SEC in 2016 that amended Form ADV and established Form N-PORT to require additional reporting for the separate accounts and Registered Funds we manage, respectively.

As of December 24, 2016, all securitization transactions became subject to risk retention rules, requiring the Company to hold interests equal to at least 5 percent of the credit risk of the assets of any new CLO entities that we manage (unless the CLO entity invests only in certain qualifying loans) and limiting the Company's ability to sell or hedge those interests. The new mandatory risk retention requirement for CLO entities may result in the Company having to invest money to launch new CLO entities that would otherwise be available for other uses. Such investments would also subject the Company to exposure to the underlying performance of the assets of the CLO entities and could have an adverse impact on our results of operations or financial condition.

In 2016, the U.S. Department of Labor (DOL) began introducing changes to definitions and rules relating to fiduciaries serving holders of qualified retirement accounts. Full implementation has been delayed, and may be further delayed, during which time additional revisions may be made to the definitions and rules relating to fiduciaries. If adopted as currently proposed, the DOL's changes may materially impact how advice can be provided to retirement account holders in 401(k) plans, individual retirement accounts and other qualified retirement programs. We may need to modify our interactions or limit distribution to retirement plans, which could negatively affect our results of operations. Our revenues and expenses may also be adversely affected by the new rule adopted in 2016 by the SEC to address liquidity risk management by registered open-end funds and the new rule proposed in 2015 to address use of derivatives by registered open-end and closed-end funds. These rules could limit investment opportunities for certain funds we manage and increase our management and administration costs.

In Europe, effective January 3, 2018, the revised Markets in Financial Instruments Directive (MiFID II Directive) and the Markets in Financial Instruments Regulation (MiFIR) (collectively, MiFID II) will replace the existing Markets in Financial Instruments Directive and apply throughout the European Union and member states of the European Economic Area. Implementation of MiFID II will significantly affect both the structure and operation of the European Union financial markets and, as such, there will be direct and indirect effects on the Company's operations in the European Economic Area. Some of the main changes introduced by this new regime include: (i) enhancing business conduct and governance requirements; (ii) broadening the scope of pre- and post-trade transparency; (iii) enhancing disclosure requirements; (iv) increasing transaction reporting requirements; (v) revising the relationship between client commissions and investment research services; and (vi) further regulating trading revenue. Compliance with MiFID II will increase costs and affect the manner in which our businesses obtain investment research services.

The ultimate impact of the United Kingdom's exit from the European Union (Brexit) on the Company's business operations in the United Kingdom and Europe is still unknown and will vary depending on the terms of the impending separation agreement. Ongoing changes in the European Union's regulatory framework applicable to the Company's operations, including Brexit as well as any other changes in the composition of the European Union's member states, may add complexity to the Company's global operations and impose additional risks.

All of these new and developing laws and regulations will likely result in greater compliance and administrative burdens on us, increasing our expenses.

Our business is subject to risk from regulatory investigation, potential securities laws, liability and litigation. We are subject to federal securities laws, state laws regarding securities fraud, other federal and state laws and rules, and regulations of certain regulatory, self-regulatory and other organizations, including, among others, the SEC, FINRA, the CFTC, the NFA, the FCA and the New York Stock Exchange. While we have focused significant attention and resources on the development and implementation of compliance policies, procedures and practices, non-compliance with applicable laws, rules or regulations, either in the United States or abroad, or our inability to adapt to a complex and ever-changing regulatory environment could result in sanctions against us, which could adversely affect our reputation, business, revenue and earnings. From time to time, various claims or potential claims against us arise in the ordinary course of business, including employment-related claims. We carry insurance in amounts and under terms that we believe are appropriate. We cannot guarantee that our insurance will cover most liabilities and losses to which we may be exposed, or that our insurance policies will continue to be available at acceptable terms and fees. Certain insurance coverage may not be available or may be prohibitively expensive in future periods. As our insurance policies come up for renewal, we may need to assume higher deductibles or pay higher premiums, which would increase our expenses and reduce our net income.

Our Non-Voting Common Stock lacks voting rights. Our Non-Voting Common Stock has no voting rights under any circumstances. All voting power resides with our Voting Common Stock, all shares of which are held by officers of the Company and our subsidiaries and deposited in a voting trust (the Voting Trust) in exchange for Voting Trust Receipts. As of October 31, 2017, there were 23 holders of Voting Trust Receipts representing Voting Common Stock, each holder of which is a Voting Trustee of the Voting Trust. Holders of Non-Voting Common Stock should understand that such ownership interests have no ability to vote in the election of the Company's Board of Directors or otherwise to influence the Company's management and strategic direction.

Evaluation of Disclosure Controls and Procedures

We evaluated the effectiveness of our disclosure controls and procedures as of October 31, 2017. Disclosure controls and procedures are designed to ensure that the information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the SEC's rule and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), to allow timely decisions regarding required disclosure. Our CEO and CFO participated in this evaluation and concluded that, as of October 31, 2017, our disclosure controls and procedures were effective.

There have been no changes in our internal control over financial reporting that occurred during the fourth quarter of our fiscal year ended October 31, 2017 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Consolidated Statements of Income

(in thousands, except per share data)	Years Ended October 31, 2017	2016	2015
Revenue:			
Management fees	$ 1,318,141	$ 1,151,198	$ 1,196,866
Distribution and underwriter fees	78,776	74,822	80,815
Service fees	119,962	107,684	116,448
Other revenue	12,131	9,156	9,434
Total revenue	1,529,010	1,342,860	1,403,563
Expenses:			
Compensation and related costs	553,952	491,115	483,827
Distribution expense	132,873	117,996	198,155
Service fee expense	112,519	98,494	106,663
Amortization of deferred sales commissions	16,239	15,451	14,972
Fund-related expenses	48,995	35,899	35,886
Other expenses	181,674	169,637	163,613
Total expenses	1,046,252	928,592	1,003,116
Operating income	482,758	414,268	400,447
Non-operating income (expense):			
Gains (losses) and other investment income, net	19,303	12,411	(31)
Interest expense	(27,496)	(29,410)	(29,357)
Loss on extinguishment of debt	(5,396)	-	-
Other income (expense) of consolidated collateralized loan obligation (CLO) entities:			
Gains and other investment income, net	-	24,069	5,092
Interest and other expense	-	(13,286)	(6,767)
Total non-operating expense	(13,589)	(6,216)	(31,063)
Income before income taxes and equity in net income of affiliates	469,169	408,052	369,384
Income taxes	(173,666)	(153,630)	(143,214)
Equity in net income of affiliates, net of tax	10,870	10,335	12,021
Net income	306,373	264,757	238,191
Net income attributable to non-controlling and other beneficial interests	(24,242)	(23,450)	(7,892)
Net income attributable to Eaton Vance Corp. shareholders	$ 282,131	$ 241,307	$ 230,299
Earnings per share:			
Basic	$ 2.54	$ 2.20	$ 2.00
Diluted	$ 2.42	$ 2.12	$ 1.92
Weighted average shares outstanding:			
Basic	110,918	109,914	113,318
Diluted	116,418	113,982	118,155
Dividends declared per share	$ 1.150	$ 1.075	$ 1.015

See notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(in thousands)	Years Ended October 31, 2017	2016	2015
Net income	$ 306,373	$ 264,757	$ 238,191
Other comprehensive income (loss):			
Unrealized loss on cash flow hedges, net of tax	(413)	-	-
Amortization of net gains on cash flow hedges, net of tax	27	13	13
Unrealized gains (losses) on available-for-sale investments and reclassification adjustments, net of tax	1,185	(790)	(1,895)
Foreign currency translation adjustments, net of tax	9,310	(8,220)	(28,708)
Other comprehensive income (loss), net of tax	10,109	(8,997)	(30,590)
Total comprehensive income	316,482	255,760	207,601
Comprehensive income attributable to non-controlling and other beneficial interests	(24,242)	(23,450)	(7,892)
Total comprehensive income attributable to Eaton Vance Corp. shareholders	$ 292,240	$ 232,310	$ 199,709

See notes to Consolidated Financial Statements.

Consolidated Balance Sheets

(in thousands, except share data)	October 31, 2017	October 31, 2016
Assets		
Cash and cash equivalents	$ 610,555	$ 424,174
Management fees and other receivables	200,453	186,172
Investments	898,192	589,773
Assets of consolidated CLO entity:		
Bank loan investments	31,348	-
Deferred sales commissions	36,423	27,076
Deferred income taxes	67,100	73,295
Equipment and leasehold improvements, net	48,989	44,427
Intangible assets, net	89,812	46,809
Goodwill	259,681	248,091
Loan to affiliate	5,000	5,000
Other assets	83,348	85,565
Total assets	$ 2,330,901	$ 1,730,382
Liabilities, Temporary Equity and Permanent Equity		
Liabilities:		
Accrued compensation	$ 207,330	$ 173,485
Accounts payable and accrued expenses	68,115	59,927
Dividend payable	44,634	36,525
Debt	618,843	571,773
Liabilities of consolidated CLO entity:		
Line of credit	12,598	-
Other liabilities	116,298	75,069
Total liabilities	1,067,818	916,779
Commitments and contingencies (Note 20)		
Temporary Equity:		
Redeemable non-controlling interests	250,823	109,028
Permanent Equity:		
Voting Common Stock, par value $0.00390625 per share:		
Authorized, 1,280,000 shares		
Issued and outstanding, 442,932 and 442,932 shares, respectively	2	2
Non-Voting Common Stock, par value $0.00390625 per share:		
Authorized, 190,720,000 shares		
Issued and outstanding, 118,077,872 and 113,545,008 shares, respectively	461	444
Additional paid-in capital	148,284	-
Notes receivable from stock option exercises	(11,112)	(12,074)
Accumulated other comprehensive loss	(47,474)	(57,583)
Retained earnings	921,235	773,000
Total Eaton Vance Corp. shareholders' equity	1,011,396	703,789
Non-redeemable non-controlling interests	864	786
Total permanent equity	1,012,260	704,575
Total liabilities, temporary equity and permanent equity	$ 2,330,901	$ 1,730,382

See notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

(in thousands)	Voting and Non-Voting Common Shares	Voting Common Stock	Non-Voting Common Stock	Additional Paid-In Capital	Notes Receivable from Stock Option Exercises	Accumulated Other Comprehensive Loss	Appropriated (Deficit) Retained Earnings	Retained Earnings	Non-Redeemable Non-Controlling Interests	Total Permanent Equity	Redeemable Non-Controlling Interests
	Permanent Equity										Temporary Equity
Balance, November 1, 2014	118,261	$ 2	$ 460	$ -	$ (8,818)	$ (17,996)	$ 2,467	$ 679,061	$ 2,305	$ 657,481	$ 107,466
Net income	-	-	-	-	-	-	(5,825)	230,299	4,049	228,523	9,668
Other comprehensive loss, net of tax	-	-	-	-	-	(30,590)	-	-	-	(30,590)	-
Dividends declared ($1.015 per share)	-	-	-	-	-	-	-	(118,719)	-	(118,719)	-
Issuance of Voting Common Stock	14	-	-	77	-	-	-	-	-	77	-
Issuance of Non-Voting Common Stock:											
On exercise of stock options	3,500	-	14	87,625	(4,752)	-	-	-	-	82,887	-
Under employee stock purchase plans	101	-	-	3,324	-	-	-	-	-	3,324	-
Under employee stock purchase incentive plan	94	-	-	3,483	-	-	-	-	-	3,483	-
Under restricted stock plan, net of forfeitures	1,304	-	5	-	-	-	-	-	-	5	-
Stock-based compensation	-	-	-	69,279	-	-	-	-	-	69,279	-
Tax benefit of stock option exercises and vesting of restricted stock awards	-	-	-	9,979	-	-	-	-	-	9,979	-
Repurchase of Voting Common Stock	(14)	-	-	(77)	-	-	-	-	-	(77)	-
Repurchase of Non-Voting Common Stock	(7,374)	-	(28)	(177,548)	-	-	-	(105,796)	-	(283,372)	-
Principal repayments on notes receivable from stock option exercises	-	-	-	-	2,427	-	-	-	-	2,427	-
Net subscriptions (redemptions/distributions) of non-controlling interest holders	-	-	-	-	-	-	-	-	(4,032)	(4,032)	(3,863)
Net consolidations (deconsolidations) of sponsored investment funds and CLO entities	-	-	-	-	-	-	(1,980)	-	-	(1,980)	(2,623)
Reclass to temporary equity	-	-	-	-	-	-	-	-	(597)	(597)	597
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(18,474)
Changes in redemption value of non-controlling interests redeemable at fair value	-	-	-	3,858	-	-	-	-	-	3,858	(3,858)
Balance, October 31, 2015	115,886	$ 2	$ 451	$ -	$ (11,143)	$ (48,586)	$ (5,338)	$ 684,845	$ 1,725	$ 621,956	$ 88,913

See notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity (continued)

(in thousands)	Permanent Equity										Temporary Equity
	Voting and Non-Voting Common Shares	Voting Common Stock	Non-Voting Common Stock	Additional Paid-In Capital	Notes Receivable from Stock Option Exercises	Accumulated Other Comprehensive Loss	Appropriated Deficit	Retained Earnings	Non-Redeemable Non-Controlling Interests	Total Permanent Equity	Redeemable Non-Controlling Interests
Balance, November 1, 2015	115,886	$ 2	$ 451	$ -	$ (11,143)	$ (48,586)	$ (5,338)	$ 684,845	$ 1,725	$ 621,956	$ 88,913
Net income	-	-	-	-	-	-	9,768	241,307	4,066	255,141	9,616
Other comprehensive loss, net of tax	-	-	-	-	-	(8,997)	-	-	-	(8,997)	-
Dividends declared ($1.075 per share)	-	-	-	-	-	-	-	(122,154)	-	(122,154)	-
Issuance of Voting Common Stock	56	-	-	232	-	-	-	-	-	232	-
Issuance of Non-Voting Common Stock:											
On exercise of stock options	3,805	-	15	107,851	(4,188)	-	-	-	-	103,678	-
Under employee stock purchase plans	98	-	-	3,145	-	-	-	-	-	3,145	-
Under employee stock purchase incentive plan	134	-	1	3,596	-	-	-	-	-	3,597	-
Under restricted stock plan, net of forfeitures	1,366	-	5	-	-	-	-	-	-	5	-
Stock-based compensation	-	-	-	71,337	-	-	-	-	-	71,337	-
Tax benefit of stock option exercises and vesting of restricted stock awards	-	-	-	2,240	-	-	-	-	-	2,240	-
Tax benefit of non-controlling interest repurchases (See Note 16)	-	-	-	52,657	-	-	-	-	-	52,657	-
Repurchase of Voting Common Stock	(28)	-	-	(77)	-	-	-	-	-	(77)	-
Repurchase of Non-Voting Common Stock	(7,329)	-	(28)	(221,949)	-	-	-	(30,998)	-	(252,975)	-
Principal repayments on notes receivable from stock option exercises	-	-	-	-	3,257	-	-	-	-	3,257	-
Net subscriptions (redemptions/distributions) of non-controlling interest holders	-	-	-	-	-	-	-	-	(4,886)	(4,886)	1,736
Net consolidations (deconsolidations) of sponsored investment funds and CLO entities	-	-	-	-	-	-	(4,430)	-	-	(4,430)	(1,567)
Reclass to temporary equity	-	-	-	-	-	-	-	-	(119)	(119)	119
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(8,821)
Changes in redemption value of non-controlling interests redeemable at fair value	-	-	-	(19,032)	-	-	-	-	-	(19,032)	19,032
Balance, October 31, 2016	113,988	$ 2	$ 444	$ -	$ (12,074)	$ (57,583)	$ -	$ 773,000	$ 786	$ 704,575	$ 109,028

See notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity (continued)

(in thousands)	Permanent Equity: Voting and Non-Voting Common Shares	Voting Common Stock	Non-Voting Common Stock	Additional Paid-In Capital	Notes Receivable from Stock Option Exercises	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non-Redeemable Non-Controlling Interests	Total Permanent Equity	Temporary Equity: Redeemable Non-Controlling Interests
Balance, November 1, 2016	113,988	$ 2	$ 444	$ -	$ (12,074)	$ (57,583)	$ 773,000	$ 786	$ 704,575	$ 109,028
Net income	-	-	-	-	-	-	282,131	4,079	286,210	20,163
Other comprehensive income, net of tax	-	-	-	-	-	10,109	-	-	10,109	-
Dividends declared ($1.150 per share)	-	-	-	-	-	-	(133,896)	-	(133,896)	-
Issuance of Non-Voting Common Stock:										
On exercise of stock options	5,599	-	22	207,471	(3,538)	-	-	-	203,955	-
Under employee stock purchase plans	95	-	-	2,976	-	-	-	-	2,976	-
Under employee stock purchase incentive plan	108	-	-	3,997	-	-	-	-	3,997	-
Under restricted stock plan, net of forfeitures	1,625	-	6	-	-	-	-	-	6	-
Stock-based compensation	-	-	-	79,525	-	-	-	-	79,525	-
Tax benefit of stock option exercises and vesting of restricted stock awards	-	-	-	3,165	-	-	-	-	3,165	-
Tax benefit of non-controlling interest repurchases	-	-	-	8,454	-	-	-	-	8,454	-
Repurchase of Non-Voting Common Stock	(2,894)	-	(11)	(126,188)	-	-	-	-	(126,199)	-
Principal repayments on notes receivable from stock option exercises	-	-	-	-	4,500	-	-	-	4,500	-
Net subscriptions (redemptions/distributions) of non-controlling interest holders	-	-	-	-	-	-	-	(3,937)	(3,937)	191,822
Net consolidations (deconsolidations) of sponsored investment funds and CLO entities	-	-	-	-	-	-	-	-	-	(81,382)
Reclass to temporary equity	-	-	-	-	-	-	-	(64)	(64)	64
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	(19,988)
Changes in redemption value of non-controlling interests redeemable at fair value	-	-	-	(31,116)	-	-	-	-	(31,116)	31,116
Balance, October 31, 2017	118,521	$ 2	$ 461	$ 148,284	$ (11,112)	$ (47,474)	$ 921,235	$ 864	$ 1,012,260	$ 250,823

See notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Years Ended October 31,		
(in thousands)	**2017**	**2016**	**2015**
Cash Flows From Operating Activities:			
Net income	$ 306,373	$ 264,757	$ 238,191
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	19,132	20,798	21,749
Unamortized loss on derivative instrument	(684)	-	-
Amortization of deferred sales commissions	16,231	15,458	14,976
Stock-based compensation	79,525	71,337	69,279
Deferred income taxes	14,345	22,089	4,784
Net (gains) losses on investments and derivatives	1,474	(534)	9,151
Impairment loss on investments	426	650	-
Equity in net income of affiliates, net of amortization	(10,870)	(10,552)	(12,734)
Dividends received from affiliates	11,447	11,460	15,908
Loss on extinguishment of debt	5,396	-	-
Consolidated CLO entities' operating activities:			
Net gains on bank loans, other investments and note obligations	-	(6,094)	(1,625)
Amortization	-	(624)	3
Net increase (decrease) in other assets and liabilities, including cash and cash equivalents	-	80,468	(141,450)
Changes in operating assets and liabilities:			
Management fees and other receivables	(14,167)	1,334	(1,151)
Investments in trading securities	(396,619)	(93,420)	639
Deferred sales commissions	(25,577)	(17,380)	(22,294)
Other assets	(11,608)	(4,051)	3,466
Accrued compensation	33,489	(4,845)	(2,078)
Accounts payable and accrued expenses	7,330	(5,482)	1,308
Other liabilities	29,249	(4,820)	21,745
Net cash provided by operating activities	64,892	340,549	219,867
Cash Flows From Investing Activities:			
Additions to equipment and leasehold improvements	(12,698)	(10,682)	(11,480)
Issuance of loan to affiliate	-	(5,000)	-
Net cash paid in acquisitions	(63,605)	(10,130)	(9,085)
Cash paid for intangible assets	-	(25)	-
Proceeds from sale of investments	16,502	17,375	69,946
Purchase of investments	(276)	(17,177)	(10,583)
Consolidated CLO entities' investing activities:			
Proceeds from sales and maturities of bank loans and other investments	-	166,460	147,766
Purchase of bank loans and other investments	(31,348)	(249,099)	(102,298)
Net cash (used for) provided by investing activities	(91,425)	(108,278)	84,266

See notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows (continued)

(in thousands)	Years Ended October 31, 2017	2016	2015
Cash Flows From Financing Activities:			
Purchase of additional non-controlling interest	(9,820)	(15,673)	(19,964)
Debt issuance costs	(2,761)	-	-
Proceeds from issuance of debt	298,896	-	-
Repayment of debt	(250,000)	-	-
Loss on extinguishment of debt	(5,396)	-	-
Proceeds from issuance of Voting Common Stock	-	232	77
Proceeds from issuance of Non-Voting Common Stock	210,934	110,425	89,699
Repurchase of Voting Common Stock	-	(77)	(77)
Repurchase of Non-Voting Common Stock	(126,199)	(252,975)	(283,372)
Principal repayments on notes receivable from stock option exercises	4,500	3,257	2,427
Excess tax benefit of stock option exercises and vesting of restricted stock awards	14,783	2,931	9,979
Dividends paid	(125,785)	(118,621)	(116,016)
Net subscriptions received from (redemptions/distributions paid to) non-controlling interest holders	188,463	302	(7,895)
Consolidated CLO entities' financing activities:			
Proceeds from line of credit	12,598	-	83,612
Repayment of line of credit	-	-	(202,357)
Issuance of senior and subordinated notes	-	-	401,607
Principal repayments of senior and subordinated note obligations	-	-	(179,166)
Net cash provided by (used for) financing activities	210,213	(270,199)	(221,446)
Effect of currency rate changes on cash and cash equivalents	2,701	(3,456)	(2,344)
Net increase (decrease) in cash and cash equivalents	186,381	(41,384)	80,343
Cash and cash equivalents, beginning of year	424,174	465,558	385,215
Cash and cash equivalents, end of year	$ 610,555	$ 424,174	$ 465,558
Supplemental Cash Flow Information:			
Cash paid for interest	$ 25,535	$ 28,413	$ 28,390
Cash paid for interest upon repayment of debt	1,354	-	-
Cash paid for interest by consolidated CLO entities	-	11,024	2,388
Cash paid for income taxes, net of refunds	143,948	128,845	120,496
Supplemental Disclosure of Non-Cash Information:			
Increase in equipment and leasehold improvements due to non-cash additions	$ 863	$ 453	$ 389
Exercise of stock options through issuance of notes receivable	3,538	4,188	4,752
Non-controlling interest call option exercise recorded in other liabilities	12,379	2,510	10,105
Increase (decrease) in non-controlling interest due to net consolidations (deconsolidation) of sponsored investment funds	129,587	(1,567)	(2,623)
Initial Consolidation of CLO Entity:			
Increase in other assets, net of other liabilities	$ -	$ -	$ (54,578)
Increase in investments	31,348	-	207,371
Increase in borrowings	12,598	-	153,745
Deconsolidation of CLO Entity:			
Decrease in other assets, net of other liabilities	$ -	$ (12,118)	$ (3,566)
Decrease in investments	-	(389,856)	(1,559)
Decrease in borrowings	-	(397,544)	(4,097)

See notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Business and organization

Eaton Vance Corp. and its subsidiaries (the Company) manage investment funds and provide investment management and advisory services to high-net-worth individuals and institutions in the United States, Europe, the Asia Pacific region and certain other international markets. The Company distributes its funds and retail managed accounts principally through financial intermediaries. The Company also commits significant resources to serving institutional and high-net-worth clients who access investment management services on a direct basis.

Revenue is largely dependent on the total value and composition of assets under management, which include sponsored funds and separate accounts. Accordingly, fluctuations in financial markets and changes in the composition of assets under management impact revenue and the results of operations.

Basis of presentation

The preparation of the Company's Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make judgments, estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and related notes to the Consolidated Financial Statements. However, due to the inherent uncertainties in making estimates, actual results could differ from those estimates.

During the first quarter of fiscal 2017, the Company changed the description of a line item in the Consolidated Statements of Income from investment advisory and administrative fees to management fees. The change in the description had no impact on the Company's previously reported net income or financial position, and does not represent a restatement of previously reported financial results. Management fees are defined as including both investment advisory fees and administrative fees for all periods presented.

During the first quarter of fiscal 2015, the Company made a one-time payment of $73.0 million to terminate certain closed-end fund service and additional compensation arrangements with a distribution partner. The payment was included as a component of distribution expense in the Company's Consolidated Statement of Income for the fiscal year ended October 31, 2015.

Adoption of new accounting standards

The Company adopted the following accounting standards as of November 1, 2016:

- Consolidation - Accounting Standards Update (ASU) 2015-02, *Amendments to the Consolidation Analysis*
- Consolidation - ASU 2016-17, *Interests Held through Related Parties That Are under Common Control*
- Debt issuance costs - ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*

The adoption of the amendments to the consolidation guidance did not result in the consolidation of previously unconsolidated legal entities or the deconsolidation of previously consolidated entities. The amendment to the consolidation guidance that had the most significant impact on the Company's consolidation analyses is the elimination of the deferral of accounting guidance that required separate evaluation for investment company variable interest entities (VIEs). The elimination of this deferral effectively reduced the threshold used to evaluate whether the Company has a controlling financial interest in the Company's sponsored funds in which the Company holds a seed investment from an ownership percentage of 50 percent to 10 percent. The amended guidance also impacted the Company's evaluation of limited partnerships. Under the amended guidance, if limited partners with equity at risk in a limited partnership or similarly structured entity do not have either substantive kick-out rights over the general partner or substantive participation rights, the limited partnership is deemed to be a VIE. This update to the guidance resulted in the Company identifying that a private equity partnership managed by a third party that was previously considered a voting interest entity is now considered a VIE. The Company holds a variable interest in, but is not deemed to be the primary beneficiary of, this VIE. Refer to disclosure of this variable interest in Note 6, under the heading Other Entities.

The adoption of the new guidance related to debt issuance costs resulted in the Company changing the classification of certain debt issuance costs in its Consolidated Balance Sheets. All debt issuance costs were previously reported as a component of other assets. Debt issuance costs related to the Company's term debt are now presented as a component of debt on the Company's Consolidated Balance Sheets. Amounts for the comparative prior fiscal year have been restated to conform to the current year presentation. This reclassification had no impact on previously reported net income or previously reported financial results.

The following table presents the effects of the change in presentation of debt issuance costs on the Company's previously reported Consolidated Balance Sheet:

October 31, 2016

(in thousands)	**As Previously Reported**	**Reclassification**	**As Restated**
Other assets	$ 87,759	$ (2,194)	$ 85,565
Total assets	1,732,576	(2,194)	1,730,382
Debt	573,967	(2,194)	571,773
Total liabilities	918,973	(2,194)	916,779
Total permanent equity	704,575	-	704,575
Total liabilities, temporary equity and permanent equity	1,732,576	(2,194)	1,730,382

In addition to the above updates, the Company adopted ASU 2017-01, *Clarifying the Definition of a Business*, in conjunction with the acquisition of the assets of Calvert Investment Management, Inc. (Calvert Investments), which closed on December 30, 2016. This new standard provides for an up-front quantitative approach, which is referred to as a "screen," to determine whether an entity is acquiring assets or a business. In applying the screen, the Company determined that substantially all of the fair value of the gross assets acquired was concentrated in a group of similar assets and that the assets acquired, therefore, did not qualify as a business. Required disclosures related to the acquisition are included in Note 10.

Where applicable, the Company's significant accounting policies discussed below have been amended to reflect each of the ASUs adopted as of November 1, 2016.

Principles of consolidation

With limited exceptions, each of the Company's sponsored mutual funds is organized as a separately managed component (or series) of a series trust. All assets of a series irrevocably belong to that series and are subject to the liabilities of that series; under no circumstances are the liabilities of one series payable by another series. The Company's series trusts have no equity investment at risk, rather, all equity is issued at the series level. However, decisions regarding the trustees of the trust and certain key activities of each series (i.e., sponsored fund) within the trust, such as appointment of each sponsored fund's investment adviser, typically reside at the trust level. As a result, shareholders of a sponsored fund that is organized as a series of a series trust lack the ability to control the key decision-making processes that most significantly affect the economic performance of the sponsored fund. Accordingly, the Company believes that each trust is a VIE and each sponsored fund within the trust is a silo that will be evaluated for consolidation as a separate VIE. Having concluded that each silo is a VIE for accounting purposes, the primary beneficiary evaluation is focused on an analysis of economic interests in each silo. The Company may hold a significant interest in the shares of a sponsored fund during the seed investment stage when the sponsored fund's investment track record is being established. The Company consolidates a sponsored fund when it has a controlling financial interest in the fund. The Company has generally concluded that its fees earned from asset management arrangements with sponsored funds represent variable interests that convey both power and significant economic exposure (i.e., characteristics of a controlling financial interest) to the Company in instances in which the Company holds a greater than 10 percent ownership interest in the fund. To the extent that the Company's interest in a sponsored fund is limited to fees earned from the fund that are commensurate with the services provided and consistent with market-based terms and/or insignificant interests, the Company would not be considered to have a variable interest in the fund and no further consolidation analysis is performed. Management fee revenue earned on, as well as the Company's investments in, consolidated sponsored funds are eliminated in consolidation.

The Company regularly seeds new sponsored funds and may consolidate one or more sponsored funds during a given reporting period. Due to the similarity of risks related to the Company's involvement with each sponsored fund, disclosures required under the VIE model, such as disclosures regarding the carrying amount and classification of assets of sponsored funds and the gains and losses that the Company recognizes from sponsored funds, are aggregated.

When the Company is no longer deemed to hold a controlling financial interest in a sponsored fund, the Company deconsolidates the sponsored fund and removes the related assets, liabilities and non-controlling interests from its balance sheet and classifies the Company's remaining investment as available-for-sale. Because consolidated sponsored funds carry their assets and liabilities at fair value, there is no incremental gain or loss recognized upon deconsolidation.

The extent of the Company's exposure to loss with respect to a consolidated sponsored fund is limited to the amount of the Company's investment in the sponsored fund. The Company is not obligated to provide financial support to sponsored funds. Only the assets of a sponsored fund are available to settle its obligations. Beneficial interest holders of sponsored funds do not have recourse to the general credit of the Company.

Consolidation of VIEs

Accounting guidance provides a framework for determining whether an entity should be considered a VIE and, if so, whether a company's involvement with the entity represents a variable interest in the entity. If the Company determines that it has a variable interest in a VIE, it must perform an analysis to determine whether it is the primary beneficiary of the VIE. If the Company determines it is the primary beneficiary of the VIE, it is required to consolidate the assets, liabilities, results of operations and cash flows of the VIE.

The Company's ongoing evaluation of whether it qualifies as the primary beneficiary of a VIE is complex. The Company is the primary beneficiary of a VIE if it has a controlling financial interest in the VIE. A company is deemed to have a controlling financial interest in a VIE if it has both (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

For collateralized loan obligation (CLO) entities, the Company must evaluate the relative size of the Company's beneficial interest and the overall magnitude and design of the collateral fees within each structure. There is also judgment involved in assessing whether the Company has the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses of or the right to receive benefits from the VIE that could potentially be significant to the entity.

While the Company believes its overall evaluation of VIEs is appropriate, future changes in estimates, judgments and assumptions or changes in the ownership interests of the Company in a VIE affect the resulting consolidation, or deconsolidation, of the assets, liabilities, results of operations and cash flows of a VIE.

Segment information

Management has determined that the Company operates in one segment, namely as an investment adviser managing funds and separate accounts. The Company's determination that it operates in one business segment is based on the fact that the Company's Chief Executive Officer reviews the Company's financial performance at an aggregate level. All of the products and services provided by the Company relate to investment management and are subject to similar regulatory frameworks. Investment management teams at the Company are generally not aligned with specific product lines or distribution channels; in many instances, the investment professionals who manage the Company's sponsored funds are the same investment professionals who manage the Company's separately managed accounts.

Cash and cash equivalents

Cash and cash equivalents consist principally of cash and short-term, highly liquid investments in money market funds, commercial paper, certificates of deposit and holdings of Treasury and government agency securities, which are readily convertible to cash. Cash equivalents have maturities of less than three months on the date of acquisition and are stated at fair value or cost, which approximates fair value due to the short-term maturities of the underlying investments.

Restricted cash

Restricted cash consists principally of cash collateral required for margin accounts established to support derivative positions, and is included as a component of other assets on the Company's Consolidated Balance Sheets. Such derivatives are used to hedge certain investments in consolidated sponsored funds and separately managed accounts seeded for product development purposes (consolidated seed investments). Because the accounts are used to support trading activities, changes in restricted cash balances are reflected as operating cash flows in other assets in the Company's Consolidated Statements of Cash Flows.

Investments

Investment securities, trading
Marketable securities classified as trading securities consist of investments in debt and equity securities held in the portfolios of consolidated seed investments, bank obligations, certificates of deposit, commercial paper and corporate debt securities with remaining maturities (upon purchase by the Company) ranging from three months to 12 months.

Investment securities held in the portfolios of consolidated seed investments and/or held directly by the Company are carried at fair value based on quoted market prices. Net realized and unrealized gains or losses are reflected as a component of gains (losses) and other investment income. The specific identified cost method is used to determine the realized gains or losses on all trading securities sold.

Investment securities, available-for-sale
Marketable securities classified as available-for-sale consist primarily of investments in shares of sponsored funds and are carried at fair value based on quoted market prices. Unrealized holding gains or losses (to the extent such losses are considered temporary) are reported net of deferred tax as a separate component of accumulated other comprehensive income (loss) until realized. Realized gains or losses are reflected as a component of gains (losses) and other investment income. The specific identified cost method is used to determine the realized gains or losses on the sale of shares of sponsored funds.

The Company evaluates the carrying value of marketable securities classified as available-for-sale for impairment on a quarterly basis. In its impairment analysis, the Company takes into consideration numerous criteria, including the duration and extent of any decline in fair value and the Company's intent with respect to a given security. If the decline in value is determined to be other-than-temporary, the carrying value of the security is written down to fair value through earnings.

Investments in non-consolidated CLO entities
Investments in non-consolidated CLO entities are carried at amortized cost unless impaired. The excess of actual and anticipated future cash flows over the initial investment at the date of purchase is recognized in gains (losses) and other investment income, net, over the life of the investment using the effective yield method. The Company reviews cash flow estimates throughout the life of each non-consolidated CLO entity. If the updated estimate of future cash flows (taking into account both timing and amounts) is less than the last estimate, an impairment loss is recognized to the extent the carrying amount of the investment exceeds its fair value.

Investments in equity method investees
Investments in non-controlled affiliates in which the Company's ownership ranges from 20 to 50 percent, or in instances in which the Company is able to exercise significant influence but not control, are accounted for under the equity method of accounting. Under the equity method of accounting, the Company's share of the investee's underlying net income or loss is recorded as equity in net income of affiliates, net of tax. Distributions received from investees reduce the Company's investment balance. Investments in equity method investees are evaluated for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the carrying

amounts of the assets exceed their respective fair values, additional impairment tests are performed to measure the amounts of the impairment losses, if any.

Investments, other
Certain investments are carried at cost. The fair values of cost-method investments are not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair values of the investments.

Fair value measurements

The accounting standards for fair value measurement provide a framework for measuring fair value and require expanded disclosures regarding fair value measurements. Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The accounting standards establish a fair value measurement hierarchy, which requires an entity to maximize the use of observable inputs where available. This fair value measurement hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The Company utilizes third-party pricing services to value investments in various asset classes, including interests in senior floating-rate loans and other debt obligations, derivatives and certain foreign equity securities, as further discussed below. Valuations provided by the pricing services are subject to exception reporting that identifies securities with significant movements in valuation, as well as investments with no movements in valuation. These exceptions are reviewed by the Company on a daily basis. The Company compares the price of trades executed by the Company to the valuations provided by the third-party pricing services to identify and research significant variances. The Company periodically compares the pricing service valuations to valuations provided by a secondary independent source when available. Market data provided by the pricing services and other market participants, such as the Loan Syndication and Trading Association (LSTA) trade study, is reviewed by the Company to assess the reliability of the provided data. The Company's Valuation Committee reviews the general assumptions underlying the methodologies used by the pricing services to value various asset classes at least annually. Throughout the year, members of the Company's Valuation Committee or its designees meet with the service providers to discuss any significant changes to the service providers' valuation methodologies or operational processes.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories based on the nature of the inputs that are significant to the fair value measurements in their entirety. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value measurement hierarchy. In such cases, an investment's classification within the fair value measurement hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities at the reporting date.

Level 2 Observable inputs other than Level 1 unadjusted quoted market prices, such as quoted market prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities that are not active, and inputs other than quoted prices that are observable or corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity.

The Company recognizes any transfers between levels at the end of each quarter.

Derivative financial instruments

The Company may utilize derivative financial instruments to hedge market, interest rate, commodity and currency risks associated with its investments in separate accounts and certain consolidated sponsored funds seeded for new product development purposes, exposures to fluctuations in foreign currency exchange rates associated with investments denominated in foreign currencies and interest rate risk inherent in debt offerings. These derivative financial instruments may or may not qualify for designation in a hedge relationship for accounting purposes. In addition, certain consolidated seed investments may enter into derivative financial instruments within their portfolios to achieve stated investment objectives. The Company does not use derivative financial instruments for speculative purposes.

The Company records all derivative financial instruments as either assets or liabilities on its Consolidated Balance Sheets and measures these instruments at fair value. Derivative transactions are presented on a gross basis in the Company's Consolidated Balance Sheets. For a derivative financial instrument that is designated as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income (loss) and subsequently reclassified into earnings over the life of the hedge. The ineffective portion of the gain or loss is reported in earnings immediately. Changes in the fair value of the Company's other derivative financial instruments are recognized in earnings in the current period.

Deferred sales commissions

Sales commissions paid to broker-dealers in connection with the sale of certain classes of shares of sponsored open-end and private funds are generally deferred and amortized over the period during which redemptions by the purchasing shareholder are subject to a contingent deferred sales charge, which does not exceed six years from purchase. Distribution plan payments received from these funds are recorded in revenue as earned. Contingent deferred sales charges and early withdrawal charges received from redeeming shareholders of these sponsored funds are generally applied to reduce the Company's unamortized deferred sales commission assets. Should the Company lose its ability to recover such sales commissions through distribution plan payments and contingent deferred sales charges, the value of its deferred sales commission asset would immediately decline, as would related future cash flows.

The Company evaluates the carrying value of its deferred sales commission asset for impairment on a quarterly basis. In its impairment analysis, the Company compares the carrying value of the deferred sales commission asset to the undiscounted cash flows expected to be generated by the asset in the form of distribution fees over its remaining useful life to determine whether impairment has occurred. If the carrying value of the asset exceeds the undiscounted cash flows, the asset is written down to fair value based on discounted cash flows. Impairment adjustments are recognized in operating income as a component of amortization of deferred sales commissions.

Income taxes

Deferred income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts and tax bases of the Company's assets and liabilities measured using rates expected to be in effect when such differences reverse. To the extent that deferred tax assets are considered more likely than not to be unrealizable, valuation allowances are provided.

The Company's effective tax rate reflects the statutory tax rates of the many jurisdictions in which it operates. Significant judgment is required in evaluating its tax positions. In the ordinary course of business, many transactions occur for which the ultimate tax outcome is uncertain. Accounting standards governing the accounting for uncertainty in income taxes for a tax position taken or expected to be taken in a tax return require that the tax effects of a position be recognized only if it is more likely than not to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold must be met in each reporting period to support continued recognition of the benefit. The difference between the tax benefit recognized in the financial statements for a tax position and the tax benefit claimed in the income tax return is referred to as an unrecognized tax benefit. Unrecognized tax benefits, as well as the related interest and penalties, are adjusted regularly to reflect changing facts and circumstances. The Company classifies any interest or penalties incurred as a component of income tax expense.

Equipment and leasehold improvements

Equipment and other fixed assets are recorded at cost and depreciated on a straight-line basis over their estimated useful lives, which range from three to five years. Accelerated methods are used for income tax purposes. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the terms of the leases. Expenditures for repairs and maintenance are charged to expense when incurred. Equipment and leasehold improvements are tested for impairment whenever changes in facts or circumstances indicate that the carrying amount of an asset may not be recoverable.

Certain internal and external costs incurred in connection with developing or obtaining software for internal use are capitalized and amortized on a straight-line basis over the shorter of the estimated useful life of the software or three years, beginning when the software project is complete and the application is put into production. These costs are included in equipment and leasehold improvements on the Company's Consolidated Balance Sheets.

Goodwill

Goodwill represents the excess of the cost of the Company's investment in the net assets of acquired companies over the fair value of the underlying identifiable net assets at the dates of acquisition. The Company attributes all goodwill associated with its acquisitions of Atlanta Capital Management Company, LLC (Atlanta Capital), Parametric Portfolio Associates LLC (Parametric) and The Clifton Group Investment Management Company (Clifton), which share similar economic characteristics, to one reporting unit. The Company attributes all goodwill associated with its acquisition of the Tax Advantaged Bond Strategies (TABS) business of M.D. Sass Investor Services and other acquisitions to a second reporting unit.

Goodwill is not amortized but is tested annually for impairment in the fourth quarter of each fiscal year by comparing the fair values of identified reporting units to their respective carrying amounts, including goodwill. The Company establishes fair value for the purpose of impairment testing for each reporting unit by using an income approach and a market approach.

The income approach employs a discounted cash flow model that takes into account (1) assumptions that market participants would use in their estimates of fair value, (2) current period actual results and (3) budget projections for future periods that have been vetted by senior management. The discounted cash flow model incorporates the same fundamental pricing concepts used to calculate fair value in the acquisition due diligence process and a discount rate that takes into consideration the Company's estimated cost of capital adjusted for the uncertainty inherent in the forecasted information.

The market approach employs market multiples based on comparable publicly traded companies in the financial services industry, calculated with data from industry sources. Estimates of fair value are established using current and forward multiples of both revenue and earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted for size and performance of the reporting unit relative to peer companies.

If the carrying amount of the reporting unit exceeds its calculated fair value, the second step of the goodwill impairment test will be performed to measure the amount of the impairment loss, if any.

Intangible assets

Amortizing identifiable intangible assets generally represent the cost of client relationships, intellectual property, trademarks and research systems. In valuing these assets, the Company makes assumptions regarding useful lives and projected growth rates, and significant judgment is required. The Company periodically reviews its amortizing identifiable intangible assets for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the carrying amounts of those assets exceed their respective fair values, additional impairment tests are performed to measure the amounts of the impairment losses, if any.

Non-amortizing intangible assets generally represent the cost of mutual fund management contracts acquired. Non-amortizing intangible assets are tested for impairment in the fourth quarter of each fiscal year by comparing the fair values of the management contracts acquired to their carrying values. The Company establishes fair value for purposes of impairment testing using the income approach. If the carrying value of a management contract acquired exceeds its fair value, an impairment loss is recognized equal to that excess.

Debt issuance costs

Deferred debt issuance costs are amortized using the effective interest method over the related debt term. Debt issuance costs related to the Company's term debt are included in debt in the Company's Consolidated Balance Sheets. The amortization of deferred debt issuance costs is included in interest expense on the Company's Consolidated Statements of Income.

Appropriated retained earnings (deficit)

The Company records appropriated retained earnings (deficit) equal to the difference between the fair value of consolidated CLO entity assets and the fair value of consolidated CLO entity liabilities that can be attributed to external investors. The amount is recorded as appropriated retained earnings (deficit) since the other holders of the CLO entity's beneficial interests, not the Company, will receive the benefits or absorb the losses associated with their proportionate share of the CLO entity's assets and liabilities. For all periods presented, the net changes in the fair value of consolidated CLO entity assets and liabilities that can be attributed to the CLO entity's other beneficial interest holders have been recorded as net income attributable to non-controlling and other beneficial interests and as an adjustment to appropriated retained earnings (deficit).

Revenue recognition

Management fees

Investment advisory and administrative fees for the funds and investment advisory fees for separate accounts managed by the Company are recorded in management fee revenue as the services are performed. Such fees are based primarily on predetermined percentages of the market values of the assets under management. The Company's fund investment advisory and administrative fees are calculated principally as a percentage of average daily net assets. The Company's separate account investment advisory fees are calculated as a percentage of either beginning, average or ending monthly or quarterly net assets. Investment advisory and administrative fees for the funds are earned daily and paid monthly; investment advisory fees for separate accounts are earned daily and paid either monthly or quarterly. The Company may waive certain fees for investment advisory and administrative services at its discretion.

Performance fees are generated on certain fund and separate account management contracts when specific performance hurdles are met. Such fees are recorded in management fee revenue as of the performance measurement date, when the outcome can be reasonably assured and measured reliably.

The Company has contractual arrangements with third parties to provide certain fund-related services, including sub-advisory and distribution-related services. Management's determination of whether revenue should be reported gross based on the amount paid by the funds or net of payments to third-party service providers is based on management's assessment of whether the Company is acting as the principal service provider or is acting as an agent. The primary factors considered in assessing the nature of the Company's role include (1) whether the Company is responsible for the fulfillment of the obligation, including the acceptability of the services provided; (2) whether the Company has reasonable latitude to establish the price of the service provided; (3) whether the Company has the discretion to select the service provider; and (4) whether the Company assumes credit risk in the arrangement.

Pursuant to management's assessment of the criteria described above, management fees are recorded gross of any sub-advisory payments, with the corresponding fees paid to any sub-adviser based on the terms of those arrangements included in fund-related expenses in the Company's Consolidated Statements of Income.

Distribution, underwriter and service fees

Distribution and service fees for all share classes subject to these fees are calculated as a percentage of average daily net assets and recorded in revenue as earned, gross of any third-party distribution and service fee payments made. Distribution and service fees are earned daily and paid monthly. The expenses associated with third-party distribution and service fee arrangements are recorded in distribution and service fee expense, respectively, as the services are provided by the third party. These expenses are also paid monthly.

Underwriter commissions are earned on sales of shares of sponsored mutual funds on which investors pay a sales charge at the time of purchase. Sales charges and underwriter commissions are waived or reduced on shareholder purchases that exceed specified minimum amounts and on purchases by certain categories of investors.

Advertising and promotion

The Company expenses all advertising and promotional costs as incurred. Advertising costs incurred were not material to the Company's Consolidated Financial Statements in the fiscal years ended October 31, 2017, 2016 or 2015.

Leases

The Company leases office space under various leasing arrangements. As leases expire, they are normally renewed or replaced in the ordinary course of business. Most lease agreements contain renewal options, rent escalation clauses and/or other inducements provided by the landlord. Rent expense is recorded on a straight-line basis, including escalations and inducements, over the lease term.

Earnings per share

Earnings per basic and diluted share are calculated under the two-class method. Pursuant to the two-class method, the Company's unvested restricted stock awards with non-forfeitable rights to dividends, which relate exclusively to restricted stock awards granted on or before November 1, 2012, are considered participating securities and net income attributable to Eaton Vance Corp. shareholders is adjusted for the allocation of earnings to these participating securities. Earnings per diluted share is then computed on the basis of the weighted-average number of common shares outstanding during the period plus the dilutive effect of any potential common shares outstanding during the period using the more dilutive of the treasury method or two-class method.

Stock-based compensation

The Company accounts for stock-based compensation expense at fair value. Under the fair value method, stock-based compensation expense, which reflects the fair value of stock-based awards measured at grant date, is recognized on a straight-line basis over the relevant service period (generally five years) and is adjusted each period for anticipated forfeitures.

The fair value of each option award granted is estimated using the Black-Scholes option valuation model. The Black-Scholes option valuation model incorporates assumptions as to dividend yield, expected volatility, an appropriate risk-free interest rate and the expected life of the option.

The fair value of profit interests granted under subsidiary long-term equity plans is estimated on the grant date by averaging fair value established using an income approach and fair value established using a market approach for each subsidiary. The income and fair value approaches used in the determination of grant date fair value of profit interests are consistent with those described in Goodwill above.

Tax benefits realized upon the exercise of stock options that are in excess of the expense previously recognized for financial reporting purposes are recorded in shareholders' equity and reflected as a financing activity in the Company's Consolidated Statements of Cash Flows. If the tax benefit realized is less than the expense previously recorded, the shortfall is recorded in shareholders' equity. To the extent the expense exceeds available windfall tax benefits, it is recorded in the Company's Consolidated Statements of Income and reflected as an operating activity on the Company's Consolidated Statements of Cash Flows.

Foreign currency translation

Substantially all of the Company's foreign subsidiaries have a functional currency that is something other than the U.S. dollar. Assets and liabilities of these subsidiaries are translated into U.S. dollars at current exchange rates as of the end of each accounting period. Related revenue and expenses are translated at average exchange rates in effect during the accounting period. Net translation exchange gains and losses are excluded from income and recorded in accumulated other comprehensive income (loss). Foreign currency transaction gains and losses are reflected in gains (losses) and other investment income, net, as they occur.

Comprehensive income

The Company reports all changes in comprehensive income in its Consolidated Statements of Comprehensive Income. Comprehensive income includes net income, the change in unrealized gains on certain derivatives, the amortization of net gains and losses on certain derivatives, unrealized holding gains and losses on investment securities classified as available-for-sale and foreign currency translation adjustments, in each case net of tax. When the Company has established an indefinite reinvestment assertion for a foreign subsidiary, deferred income taxes are not provided on the related foreign currency translation.

Non-controlling interests

Non-redeemable non-controlling interests consist entirely of unvested interests granted to employees of the Company's majority-owned subsidiaries under subsidiary-specific long-term equity plans. These grants become subject to holder put rights upon vesting and are reclassified to temporary equity as vesting occurs.

Non-controlling interests redeemable at fair value consist of interests in the Company's consolidated sponsored funds and certain vested interests held by employees of the Company's majority-owned subsidiaries that were granted under the subsidiaries' long-term equity plans. The Company's non-controlling interests redeemable at fair value are recorded in temporary equity at estimated redemption value and changes in the estimated redemption value of these interests are recognized as increases or decreases to additional paid-in capital.

Non-controlling interests redeemable at other than fair value consist of certain other interests in the Company's majority-owned subsidiaries. These interests are subject to holder put rights and Company call rights at established multiples of earnings before interest and taxes and, as such, are considered redeemable at other than fair value. The put and call rights are not legally detachable or separately exercisable and are deemed to be embedded in the related non-controlling interests. Non-controlling interests redeemable at other than fair value are recorded on the Company's Consolidated Balance Sheets in temporary equity at estimated redemption value, and changes in estimated redemption value of these interests are recorded in the Company's Consolidated Statements of Income as increases or decreases to net income attributable to non-controlling and other beneficial interests. As of October 31, 2017, there are no such interests held.

Loss contingencies

The Company continuously reviews any investor, employee or vendor complaints and pending or threatened litigation. The Company evaluates the likelihood that a loss contingency exists under the criteria of applicable accounting standards through consultation with legal counsel and records a loss contingency, inclusive of legal costs, if the contingency is probable and reasonably estimable at the date of the financial statements. There are no losses of this nature that are currently deemed probable and reasonably estimable, and, thus, none have been recorded in the accompanying Consolidated Financial Statements.

2. New Accounting Standards Not Yet Adopted

Financial instruments

In January 2016, the Financial Accounting Standards Board (FASB) issued an amendment to its financial instruments guidance. The amendment requires substantially all equity investments in non-consolidated entities to be measured at fair value with changes in fair value recognized in net income, except for those investments accounted for using the equity method of accounting. There will no longer be an available-for-sale classification for equity securities with readily determinable fair values. The new guidance is effective for the Company's fiscal year that begins on November 1, 2018 and requires a modified retrospective approach to adoption. The Company is currently evaluating the potential impact on its Consolidated Financial Statements and related disclosures.

In June 2016, the FASB issued new guidance for the accounting for credit losses, which changes the impairment model for most financial assets. The new guidance requires the use of an "expected loss" model for instruments measured at amortized cost and an allowance for credit loss model for available-for-sale debt securities. The new guidance is effective for the Company's fiscal year that begins on November 1, 2020 and requires a modified retrospective approach to adoption. Early adoption is permitted for the fiscal year beginning November 1, 2019. The Company is currently evaluating the potential impact on its Consolidated Financial Statements and related disclosures.

Leases

In February 2016, the FASB issued new guidance for the accounting for leases, which requires a lessee to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with a lease term of more than twelve months. Leases will continue to be classified as either financing or operating, with classification affecting the recognition, measurement and presentation of expenses and cash flows arising from a lease. The new guidance is effective for the Company's fiscal year that begins on November 1, 2019 and requires a modified retrospective approach to adoption. Early adoption is permitted. The Company is currently evaluating the potential impact on its Consolidated Financial Statements and related disclosures.

Simplifying the test for goodwill impairment

In January 2017, the FASB issued amended guidance that simplifies the test for goodwill impairment. The standard eliminates Step 2 from the goodwill impairment test. Under the amended guidance, an entity should perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity will recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, but the loss cannot exceed the total amount of goodwill allocated to the reporting unit. The new guidance is effective for the Company's fiscal year that begins on November 1, 2020 and requires a prospective approach to adoption. Early adoption is permitted for interim or annual goodwill impairment tests. The Company is currently evaluating the potential impact on its Consolidated Financial Statements and related disclosures.

Revenue recognition

In May 2014, the FASB issued new guidance for revenue recognition. The new guidance seeks to improve comparability by removing inconsistencies in revenue recognition practices. The core principle of the guidance requires companies to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the expected consideration to be received for the goods or services. This guidance was further updated in March 2016 to clarify how companies should evaluate the principal versus agent aspects of the previously issued revenue guidance. The new guidance is effective for the Company's fiscal year that begins on November 1, 2018 and requires a modified retrospective approach or full retrospective approach to adoption. The Company is currently evaluating the potential impact on its Consolidated Financial Statements and related disclosures.

Stock-based compensation

In March 2016, the FASB issued new guidance for the accounting for stock-based compensation. The new guidance requires all income tax effects of stock-based compensation to be recognized as income tax expense when the awards vest or settle, provides an election to account for forfeitures as they occur and clarifies the classification of these transactions in the statement of cash flows. The new guidance is effective for the Company's fiscal year that begins on November 1, 2017 and will be adopted as of that date. Upon adoption of this guidance, the income tax effects of stock-based compensation that are currently recognized in additional paid-in-capital will be prospectively recognized in income tax expense. As a result, the Company anticipates that there will be fluctuations in the reported amount of income tax expense in its Consolidated Statement of Income as well as in its disclosed effective tax rate, particularly in the first quarter of each year when the Company's annual stock-based awards vest or settle. Separately, the income tax effects of stock-based compensation (excess tax benefits) that are currently reported as a financing activity in the Consolidated Statement of Cash Flows will be retrospectively reported as an operating activity in that statement. Finally, the Company will elect to account for forfeitures as they occur, which is not expected to have a material impact on the Consolidated Financial Statements.

Statement of cash flows

In August 2016, the FASB issued new guidance that addresses eight specific cash flow issues to reduce diversity in practice in how certain cash receipts and cash payments are presented on the Statements of Cash Flows. The new guidance is effective for the Company's fiscal year that begins November 1, 2018 and requires a retrospective transition method. The Company is currently evaluating the potential impact on its Consolidated Financial Statements and related disclosures.

Statement of cash flows – restricted cash

In November 2016, the FASB issued an amendment to existing guidance on the presentation and classification of restricted cash in the statement of cash flows. The amendment requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance is effective for the Company's fiscal year that begins on November 1, 2018 and requires a retrospective approach to adoption. The Company is currently evaluating the potential impact on its Consolidated Financial Statements and related disclosures.

3. Consolidated Sponsored Funds

Underlying investments held by consolidated sponsored funds were included in investments on the Company's Consolidated Balance Sheets and classified as trading securities at October 31, 2017 and 2016. Net investment income or (loss) related to consolidated sponsored funds was included in gains (losses) and other investment income, net, on the Company's Consolidated Statements of Income for all periods presented. The impact of consolidated sponsored funds' net income or (loss) on net income attributable to Eaton Vance Corp. shareholders was reduced by amounts attributable to non-controlling interest holders, which are recorded in net income attributable to non-controlling and other beneficial interests on the Company's Consolidated Statements of Income for all periods presented. The Company's risk with respect to each investment in a consolidated sponsored fund is limited to its equity ownership and any uncollected management and performance fees.

The following table sets forth the balances related to consolidated sponsored funds at October 31, 2017 and 2016, as well as the Company's net interest in these funds:

(in thousands)	**2017**	**2016**
Investments	$ 401,726	$ 248,036
Other assets	13,537	10,984
Other liabilities	(50,314)	(23,947)
Redeemable non-controlling interests	(154,061)	(24,474)
Net interest in consolidated sponsored funds	$ 210,888	$ 210,599

4. Investments

The following is a summary of investments at October 31, 2017 and 2016:

(in thousands)	2017	2016
Investment securities, trading:		
Short-term debt securities	$ 213,537	$ 85,822
Consolidated sponsored funds	401,726	248,036
Separately managed accounts	93,113	79,683
Total investment securities, trading	708,376	413,541
Investment securities, available-for-sale	22,465	13,312
Investments in non-consolidated CLO entities	3,609	3,837
Investments in equity method investees	144,911	139,929
Investments, other	18,831	19,154
Total investments[1]	$ 898,192	$ 589,773

[1] *Excludes bank loan investments held by a consolidated warehouse-stage CLO entity, which is discussed in Note 6.*

Investment securities, trading

The following is a summary of the fair value of investments classified as trading at October 31, 2017 and 2016:

(in thousands)	2017	2016
Short-term debt securities	$ 213,537	$ 85,822
Other debt securities	313,351	191,688
Equity securities	181,488	136,031
Total investment securities, trading	$ 708,376	$ 413,541

The Company recognized gains (losses) related to trading securities still held at the reporting date of $15.9 million, $11.3 million and $(14.7) million for the years ended October 31, 2017, 2016 and 2015, respectively, within gains (losses) and other investment income, net on the Company's Consolidated Statements of Income.

Investment securities, available-for-sale

The following is a summary of the gross unrealized gains and losses included in accumulated other comprehensive income (loss) related to securities classified as available-for-sale at October 31, 2017 and 2016:

October 31, 2017		Gross Unrealized		
(in thousands)	Cost	Gains	Losses	Fair Value
Investment securities, available-for-sale	$ 15,755	$ 6,718	$ (8)	$ 22,465

October 31, 2016		Gross Unrealized		
(in thousands)	Cost	Gains	Losses	Fair Value
Investment securities, available-for-sale	$ 8,528	$ 4,798	$ (14)	$ 13,312

Net unrealized holding gains (losses) on investment securities classified as available-for-sale included in other comprehensive income (loss) on the Company's Consolidated Statements of Comprehensive Income were $1.9 million, $0.7 million and $(8,000) for the years ended October 31, 2017, 2016 and 2015, respectively.

The Company did not recognize any impairment losses on investment securities classified as available-for-sale for the years ended October 31, 2017 or 2015. The Company recognized $0.3 million of other-than-temporary impairment losses related to investment securities classified as available-for-sale, which amount is included in gains (losses) and other investment income, net, on the Company's Consolidated Statement of Income for the year ended October 31, 2016.

The aggregate fair value of available-for-sale investments in an unrealized loss position at October 31, 2017 was $0.4 million; unrealized losses related to these investments totaled $8,000. No investment with a gross unrealized loss has been in a loss position for greater than one year.

The following is a summary of the Company's realized gains and losses recognized upon disposition of investments classified as available-for-sale for the years ended October 31, 2017, 2016 and 2015:

(in thousands)	2017	2016	2015
Gains	$ 307	$ 2,191	$ 7,828
Losses	(1)	(37)	(3,885)
Net realized gains	$ 306	$ 2,154	$ 3,943

Investments in non-consolidated CLO entities

The Company provides investment management services for, and has made direct investments in, a number of CLO entities that it does not consolidate, as described further in Note 6. The Company's investments in non-consolidated CLO entities are carried at amortized cost unless impaired, at which point they are written down to fair value. At October 31, 2017 and 2016, the carrying values of such investments were $3.6 million and $3.8 million, respectively, which represents the Company's maximum exposure to loss. At October 31, 2017 and 2016, combined assets under management in the pools of non-consolidated CLO entities were $1.5 billion and $2.0 billion, respectively.

The Company recognized $0.4 million and $0.3 million of impairment losses related to the Company's investments in non-consolidated CLO entities for the years ended October 31, 2017 and 2016, respectively. The Company did not recognize any impairment losses on investments in non-consolidated CLO entities for the year ended October 31, 2015.

Investments in equity method investees

The Company has a 49 percent interest in Hexavest Inc. (Hexavest), a Montreal, Canada-based investment adviser. The carrying value of this investment was $142.0 million and $137.3 million at October 31, 2017 and 2016, respectively. At October 31, 2017, the Company's investment in Hexavest consisted of $6.1

million of equity in the net assets of Hexavest, definite-lived intangible assets of $23.7 million and goodwill of $118.6 million, net of a deferred tax liability of $6.4 million. At October 31, 2016, the Company's investment in Hexavest consisted of $5.3 million of equity in the net assets of Hexavest, definite-lived intangible assets of $24.5 million and goodwill of $114.1 million, net of a deferred tax liability of $6.6 million. The investment is denominated in Canadian dollars and is subject to foreign currency translation adjustments, which are recorded in accumulated other comprehensive income (loss). The year-over-year change in the carrying value of goodwill is entirely attributable to such foreign currency translation adjustments.

The Company also has a seven percent equity interest in a private equity partnership managed by a third party that invests in companies in the financial services industry. The Company's investment in the partnership was $2.9 million and $2.6 million at October 31, 2017 and 2016, respectively.

The Company did not recognize any impairment losses related to its investments in equity method investees during the years ended October 31, 2017, 2016 or 2015.

During the years ended October 31, 2017, 2016 and 2015, the Company received dividends of $11.4 million, $11.5 million and $15.9 million, respectively, from its investments in equity method investees.

Investments, other

Investments, other, which totaled $18.8 million and $19.2 million at October 31, 2017 and 2016, respectively, primarily consists of certain investments carried at cost.

During the year ended October 31, 2016, the Company participated as lead investor in an equity financing in SigFig, an independent San Francisco-based wealth management technology firm. The carrying value of Company's investment in SigFig was $17.0 million at both October 31, 2017 and October 31, 2016.

5. Derivative Financial Instruments

Derivative financial instruments designated as cash flow hedges

In April 2017, the Company issued $300.0 million in aggregate principal amount of 3.5 percent ten-year senior notes due April 6, 2027 (2027 Senior Notes). In anticipation of the offering, the Company entered into a Treasury lock transaction with a notional amount of $125.0 million and concurrently designated the Treasury lock as a cash flow hedge of its exposure to variability in the forecasted semi-annual interest payments on $125.0 million of principal outstanding on the 2027 Senior Notes. The benchmark U.S. Treasury rate declined from the time the Treasury lock was entered into until the time the 2027 Senior Notes were priced, and the Treasury lock was net settled for cash at a loss of $0.7 million. The Treasury lock was determined to be a highly effective cash flow hedge and the entire $0.7 million loss, net of the associated deferred tax benefit of $0.3 million, was recorded in other comprehensive income (loss), net of tax. The loss recorded in other comprehensive income (loss) will be reclassified to earnings as a component of interest expense over the term of the debt. During the fiscal year ended October 31, 2017, approximately $37,000 of this deferred loss was reclassified into interest expense. During the next twelve months, the Company expects to reclassify approximately $68,000 of the loss into interest expense.

In fiscal 2013, the Company entered into a forward-starting interest rate swap in connection with the offering of its 3.625 percent unsecured senior notes due June 15, 2023 (2023 Senior Notes) and recorded the unamortized gain on the swap in other comprehensive income (loss), net of tax. The Company reclassified $0.2 million of the deferred gain into interest expense in each of the fiscal years ended October 31, 2017, 2016 and 2015 and will reclassify the remaining $1.1 million of unamortized gain at October 31, 2017 to earnings as a component of interest expense over the remaining term of the debt. During the next twelve months, the Company expects to reclassify approximately $0.2 million of the gain into interest expense.

In fiscal 2007, the Company entered into a Treasury lock transaction in connection with the offering of its 6.5 percent unsecured senior notes due October 2, 2017 (2017 Senior Notes) and recorded the unamortized loss on the Treasury lock in other comprehensive income (loss), net of tax. The Company reclassified a total of $0.2 million of the deferred loss into interest expense in each of the fiscal years ended October 31, 2017, 2016 and 2015.

Other derivative financial instruments not designated for hedge accounting

The Company utilizes stock index futures contracts, total return swap contracts, foreign exchange contracts, commodity futures contracts, currency futures contracts and interest rate futures contracts to hedge the market and currency risks associated with its investments in certain consolidated seed investments.

Excluding derivative financial instruments held by consolidated sponsored funds, the Company was party to the following derivative financial instruments at October 31, 2017 and 2016:

	2017			**2016**		
	Number of Contracts		**Notional value (*in millions*)**	**Number of Contracts**		**Notional value (*in millions*)**
Stock index futures contracts	1,470	$	118.1	1,721	$	125.4
Total return swap contracts	2	$	50.2	1	$	40.0
Foreign exchange contracts	31	$	28.1	32	$	18.7
Commodity futures contracts	213	$	10.2	-	$	-
Currency futures contracts	131	$	14.5	-	$	-
Interest rate futures contracts	134	$	25.6	-	$	-

The Company has not designated any of these derivative contracts as hedging instruments for accounting purposes. The derivative contracts outstanding and the notional values they represent at October 31, 2017 and 2016 are representative of derivative balances throughout each respective year. The weighted-average remaining contract term for derivative contracts outstanding at both October 31, 2017 and 2016 was 2.2 months.

The Company has not elected to offset fair value amounts related to derivative instruments executed with the same counterparty under master netting arrangements; as a result, the Company records all derivative financial instruments as either other assets or other liabilities, gross, on its Consolidated Balance Sheets and measures them at fair value (see Note 1). The following tables present the fair value of derivative financial instruments not designated for hedge accounting, and how they are reflected in the Company’s Consolidated Financial Statements as of October 31, 2017 and 2016:

(in thousands)	2017 Other Assets	2017 Other Liabilities	2016 Other Assets	2016 Other Liabilities
Stock index futures contracts	$ 330	$ 3,021	$ 1,722	$ 130
Total return swap contracts	-	570	-	418
Foreign exchange contracts	650	60	350	267
Commodity futures contracts	63	120	-	-
Currency futures contracts	327	178	-	-
Interest rate futures contracts	48	226	-	-
Total	$ 1,418	$ 4,175	$ 2,072	$ 815

Changes in the fair value of derivative contracts are recognized in gains (losses) and other investment income, net (see Note 15). The Company recognized the following net gains (losses) on derivative financial instruments for the years ended October 31, 2017, 2016 and 2015:

(in thousands)	2017	2016	2015
Stock index futures contracts	$ (23,905)	$ (2,931)	$ 640
Total return swap contracts	(3,569)	(2,935)	157
Foreign exchange contracts	(595)	(590)	1,948
Commodity futures contracts	(574)	-	3,396
Interest rate futures contracts	(421)	-	(181)
Interest rate swap contracts	91	-	(21)
Net realized gains (losses)	$ (28,973)	$ (6,456)	$ 5,939

In addition to the derivative contracts described above, certain consolidated seed investments may utilize derivative financial instruments within their portfolios in pursuit of their stated investment objectives. See Note 3 for discussion of consolidated sponsored funds.

6. Variable Interest Entities

In the normal course of business, the Company maintains investments in sponsored products that are considered VIEs. These variable interests generally represent seed investments made by the Company, as collateral manager or investment adviser, to launch or market these products. The Company receives at-market management fees that are commensurate with the level of effort required to provide collateral management or investment advisory services to these entities that may be considered variable interests, depending on the significance of the Company's investment in those entities.

Investments in VIEs that are consolidated

Consolidated sponsored funds
The Company invests in investment companies that meet the definition of a VIE. Disclosure regarding such consolidated sponsored funds is included in Note 3.

Consolidated CLO entities
As of October 31, 2017, the Company deems itself to be the primary beneficiary of one non-recourse CLO entity, namely, Eaton Vance CLO 2017-1 (CLO 2017-1), a warehousing phase CLO entity. The Company was

not the primary beneficiary of any CLO entities as of October 31, 2016 and the Company consolidated one CLO entity as of October 31, 2015, namely, Eaton Vance CLO 2015-1 (CLO 2015-1).

Interest income and expense of the consolidated CLO entities are recorded on an accrual basis and reported as gains and other investment income, net, and as interest expense, respectively, in the Company's Consolidated Statements of Income for the fiscal years ended October 31, 2017, 2016 and 2015. Substantially all ongoing gains (losses) related to the consolidated CLO entities' bank loan and other investments and note obligations recorded in earnings for the periods presented are attributable to changes in instrument-specific credit considerations.

Eaton Vance CLO 2017-1

The Company established CLO 2017-1 on August 24, 2017. CLO 2017-1 is in the warehousing phase as of October 31, 2017. The Company contributed $18.8 million into CLO 2017-1 at the inception of the entity and concurrently entered into a credit facility agreement with a third-party lender that provides CLO 2017-1 with a $160.0 million non-recourse revolving line of credit. At October 31, 2017, $12.6 million was outstanding under the revolving line of credit. As collateral manager, the Company has the unilateral ability to liquidate CLO 2017-1 without cause (a substantive kick-out right), which provides it with the power to direct the activities that most significantly impact the economic performance of the entity. The Company's $18.8 million capital contribution to CLO 2017-1 serves as first-loss protection to the third-party lender and provides the Company with an obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the entity. Accordingly, the Company deems itself to be the primary beneficiary of CLO 2017-1 from establishment on August 24, 2017.

During the warehouse phase, the Company, acting as collateral manager and subject to the approval of the third-party lender, intends to use its capital contributions along with the proceeds from the revolving line of credit to accumulate a portfolio of commercial bank loan investments from the open market sufficient for eventual securitization. The Company has no right to the benefits from, nor does the Company bear the risks associated with, the commercial bank loan investments held by CLO 2017-1 beyond its capital contribution. In the event of default, the recourse to the Company is limited to its investment in the warehouse. The Company does not earn any collateral management fees from CLO 2017-1 during the warehousing phase. The Company will be the collateral manager of the CLO entity during the securitization phase.

The size of the non-recourse revolving line of credit can be increased subject to the occurrence of certain events and the mutual consent of the parties. The line of credit is secured by all the commercial bank loan investments in CLO 2017-1 and initially bears interest at a rate of daily LIBOR plus 1.25 percent per annum (with such interest rate, upon completion of the initial twelve-month warehousing period, increasing to daily LIBOR plus 2.0 percent per annum). The third-party lender does not have any recourse to the Company's general credit.

The Company's $18.8 million capital contribution to CLO 2017-1 was eliminated in consolidation and no gain or loss was recognized upon the initial consolidation of CLO 2017-1 on August 24, 2017. Upon consolidation, the Company irrevocably elected to subsequently measure the commercial bank loan investments at fair value using the fair value option. Accordingly, any unrealized gains and losses on commercial bank loan investments were reported in gains and other investment income, net, of consolidated CLO entities on the Company's Consolidated Statement of Income. As of October 31, 2017, the unpaid principal balance of the commercial bank loan investments approximate fair value, and there are no unpaid principal balances of such loans that are 90 days or more past due or in non-accrual status. Disclosure of the fair value of bank loan investments is included in Note 7.

The Company did not elect the fair value option for amounts outstanding under the revolving line of credit upon the initial consolidation of CLO 2017-1 as these liabilities are temporary in nature. Disclosure of the fair value of amounts outstanding under the revolving line of credit is included in Note 8. If the Company determines it is the primary beneficiary of CLO 2017-1 during the securitization phase, the Company intends to irrevocably elect the fair value option for the note obligations of Eaton Vance CLO 2017-1 upon their issuance, mitigating any potential accounting mismatches between the carrying value of the note obligations to be issued during the securitization phase and the carrying value of the commercial bank loan investments held to provide the cash flows for those note obligations.

Gains and other investment income and interest expense attributable to CLO 2017-1 were negligible for the period ended October 31, 2017.

Eaton Vance CLO 2015-1
On September 21, 2016, the Company sold its 16.1 percent subordinated interest in CLO 2015-1 to an unrelated third party, recognizing a gain on disposal of $0.1 million. Although the Company continues to serve as collateral manager of the entity, and therefore has the power to direct the activities that most significantly impact the economic performance of the entity, the Company concluded that it no longer had an obligation to absorb losses of, or the right to receive benefits that could potentially be significant to CLO 2015-1. As a result, the Company concluded that it was no longer the primary beneficiary and therefore deconsolidated CLO 2015-1 effective September 21, 2016.

During the fiscal year ended October 31, 2015, the Company recorded approximately $2.4 million of organizational and structuring costs and other expenses associated with the securitization phase of CLO 2015-1 in interest expense of consolidated CLO entities in the Company's Consolidated Statement of Income.

Prior to the deconsolidation of CLO 2015-1, changes in the fair values of commercial bank loans and other investments held by the entity resulted in net gains (losses) of $2.4 million and $(28,550) for the fiscal years ended October 31, 2016 and 2015, respectively, while changes in the fair values of CLO 2015-1's note obligations resulted in net gains of $3.7 million for the fiscal year ended October 31, 2016. The combined net gains (losses) of $6.1 million and $(28,550) for the fiscal years ended October 31, 2016 and 2015, respectively, were recorded in gains and other investment income, net, of consolidated CLO entities in the Company's Consolidated Statements of Income for these periods.

For the fiscal years ended October 31, 2016 and 2015, the Company recorded net gains (losses) of $10.6 million and $(4.2) million, respectively, related to CLO 2015-1. The Company recorded net gains (losses) attributable to other beneficial interests of $9.8 million and $(4.4) million for the fiscal years ended October 31, 2016 and 2015, respectively. Net income attributable to Eaton Vance Corp. shareholders was $0.8 million and $0.2 million for the fiscal years ended October 31, 2016 and 2015, respectively.

Eaton Vance CLO IX
On November 13, 2014, the Company sold its 8 percent residual interest in Eaton Vance CLO IX (CLO IX) to an unrelated third party. During the third quarter of fiscal 2015, a majority of the holders of the subordinated notes elected to liquidate CLO IX, with redemption occurring nearly in full on the scheduled July 20, 2015 payment date. The Company remained the collateral manager of CLO IX through resolution

of the disposal of all remaining collateral assets. The Company made the decision to deconsolidate CLO IX in the fourth quarter of fiscal 2015, as the remaining net assets of CLO IX of $4.9 million were not material to the Company's financial position.

Prior to the deconsolidation of CLO IX, changes in the fair values of commercial bank loans and other investments held by the entity resulted in net losses of $3.2 million for the fiscal year ended October 31, 2015, while changes in the fair values of CLO IX's note obligations resulted in net gains of $5.1 million over the same period. The combined net gains of $1.9 million for the fiscal year ended October 31, 2015 were recorded in gains and other investment income, net, of consolidated CLO entities on the Company's Consolidated Statement of Income.

For the fiscal year ended October 31, 2015, the Company recorded net gains of $2.0 million (including the loss on disposal of its subordinated interest of $0.3 million) related to CLO IX. The Company recorded net losses attributable to other beneficial interests of $1.4 million for the fiscal year ended October 31, 2015. Net income attributable to Eaton Vance Corp. shareholders was $3.4 million for the fiscal year ended October 31, 2015.

Investments in VIEs that are not consolidated

Sponsored funds

The Company classifies its investments in certain sponsored funds that are considered VIEs as available-for-sale investments when it is not considered the primary beneficiary of these VIEs (generally when the Company owns less than 10 percent of the fund). The Company provides aggregated disclosures with respect to these non-consolidated sponsored fund VIEs in Note 4.

Non-consolidated CLO entities

The Company is not deemed the primary beneficiary of several CLO entities in which it holds variable interests that consist of direct investments and management fees (including subordinated management fees) earned from managing the collateral of these CLO entities. In its role as collateral manager, the Company often has the power to direct the activities of the CLO entities that most significantly impact the economic performance of these entities. In developing its conclusion that it is not the primary beneficiary of these entities, the Company determined that, for certain of these entities, although it has variable interests in each by virtue of its beneficial interests therein and the collateral management fees it receives, its variable interests neither individually nor in the aggregate represent an obligation to absorb losses of, or a right to receive benefits from, any such entity that could potentially be significant to that entity. Quantitative factors supporting the Company's qualitative conclusion in each case included the relative size of the Company's beneficial interest and the overall magnitude and design of the collateral management fees within each structure.

The Company's maximum exposure to loss with respect to these managed CLO entities is limited to the carrying value of its investments in, and collateral management fees receivable from, these entities as of October 31, 2017. Additional information regarding the Company's investment in non-consolidated CLO entities, as well as the combined assets under management in the pools of non-consolidated CLO entities, is included in Note 4. Collateral management fees receivable for these entities totaled $0.4 million and $1.4 million on October 31, 2017 and 2016, respectively. Investors in these CLO entities have no recourse against the Company for any losses sustained in the CLO structures. During fiscal 2017, the Company did not provide any financial or other support to these entities that it was not previously contractually required to provide in any of the fiscal years presented. Income from these entities is recorded as a component of gains (losses) and other investment income, net, in the Company's Consolidated Statements of Income, based upon projected investment yields.

Other entities

The Company holds variable interests in, but is not deemed to be the primary beneficiary of, certain sponsored privately offered equity funds with total assets of $18.1 billion and $13.5 billion as of October 31, 2017 and 2016, respectively. The Company's variable interests in these entities consist of the Company's direct ownership therein, which in each case is insignificant relative to the total ownership of the fund, and any investment advisory fees earned but uncollected. The Company held investments in these entities totaling $2.7 million and $2.2 million on October 31, 2017 and 2016, respectively, and investment advisory fees receivable totaling $1.1 million and $0.8 million on October 31, 2017 and 2016, respectively. During fiscal 2017, the Company did not provide any financial or other support to these entities that it was not contractually required to provide in any of the fiscal years presented. The Company's risk of loss with respect to these managed entities is limited to the carrying value of its investments in, and investment advisory fees receivable from, the entities as of October 31, 2017. The Company does not consolidate these VIEs because it does not have the obligation to absorb losses of the VIEs that could potentially be significant to the VIEs or the right to receive benefits from the VIEs that could potentially be significant to the VIEs.

The Company's investments in privately offered equity funds are carried at fair value and included in investment securities, available-for-sale, which are disclosed as a component of investments in Note 4. The Company records any change in fair value, net of income tax, in other comprehensive income (loss).

The Company also holds a variable interest in, but is not deemed to be the primary beneficiary of, a private equity partnership managed by a third party that invests in companies in the financial services industry. The Company's variable interest in this entity consists of the Company's direct ownership in the private equity partnership, equal to $2.9 million and $2.6 million at October 31, 2017 and 2016, respectively. The Company did not provide any financial or other support to this entity. The Company's risk of loss with respect to the private equity partnership is limited to the carrying value of its investment in the entity as of October 31, 2017. The Company does not consolidate this VIE because the Company does not hold the power to direct the activities that most significantly impact the VIE.

The Company's investment in the private equity partnership is accounted for as an equity method investment and disclosures related to this entity are included in Note 4 under the heading Investments in equity method investees.

7. Fair Value of Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables summarize financial assets and liabilities measured at fair value on a recurring basis and their assigned levels within the valuation hierarchy at October 31, 2017 and 2016:

October 31, 2017

(in thousands)	Level 1	Level 2	Level 3	Other Assets Not Held at Fair Value	Total
Financial assets:					
Cash equivalents	$ 24,811	$ 97,571	$ -	$ -	$ 122,382
Investments:					
Investment securities, trading:					
Short-term debt securities	-	213,537	-	-	213,537
Other debt securities	17,255	296,096	-	-	313,351
Equity securities	125,689	55,799	-	-	181,488
Investment securities, available-for-sale	8,938	13,527	-	-	22,465
Investments in non-consolidated CLO entities[(1)]	-	-	-	3,609	3,609
Investments in equity method investees[(2)]	-	-	-	144,911	144,911
Investments, other[(3)]	-	146	-	18,685	18,831
Derivative instruments	-	1,418	-	-	1,418
Assets of consolidated CLO entity:					
Bank loan investments	-	31,348	-	-	31,348
Total financial assets	$ 176,693	$ 709,442	$ -	$ 167,205	$ 1,053,340
Financial liabilities:					
Derivative instruments	$ -	$ 4,175	$ -	$ -	$ 4,175
Total financial liabilities	$ -	$ 4,175	$ -	$ -	$ 4,175

October 31, 2016

(in thousands)	Level 1	Level 2	Level 3	Other Assets Not Held at Fair Value	Total
Financial assets:					
Cash equivalents	$ 21,875	$ 35,913	$ -	$ -	$ 57,788
Investments:					
Investment securities, trading:					
Short-term debt securities	-	85,822	-	-	85,822
Other debt securities	18,757	172,931	-	-	191,688
Equity securities	93,491	42,540	-	-	136,031
Investment securities, available-for-sale	11,051	2,261	-	-	13,312
Investments in non-consolidated CLO entities[(1)]	-	-	-	3,837	3,837
Investments in equity method investees[(2)]	-	-	-	139,929	139,929
Investments, other[(3)]	-	120	-	19,034	19,154
Derivative instruments	-	2,072	-	-	2,072
Total financial assets	$ 145,174	$ 341,659	$ -	$ 162,800	$ 649,633
Financial liabilities:					
Derivative instruments	$ -	$ 815	$ -	$ -	$ 815
Total financial liabilities	$ -	$ 815	$ -	$ -	$ 815

(1) *The investments are carried at amortized cost unless facts and circumstances indicate that the investments have been impaired, at which time the investments are written down to fair value as measured using level 3 inputs. During fiscal 2017 and 2016, the Company recognized $0.4 million and $0.3 million, respectively, of other-than-temporary impairment losses related to its investments in non-consolidated CLO entities.*

(2) *Investments in equity method investees are not measured at fair value in accordance with U.S. GAAP.*

(3) *Investments, other, include investments carried at cost that are not measured at fair value in accordance with U.S. GAAP.*

Valuation methodologies

Cash equivalents

Cash equivalents include investments in money market funds, government agency securities, certificates of deposit and commercial paper with original maturities of less than three months. Cash investments in actively traded money market funds are valued using published net asset values and are classified as Level 1 within the fair value measurement hierarchy. Government agency securities are valued based upon quoted market prices for similar assets in active markets, quoted prices for identical or similar assets that are not active and inputs other than quoted prices that are observable or corroborated by observable market data. The carrying amounts of certificates of deposit and commercial paper are measured at amortized cost, which approximates fair value due to the short time between the purchase and expected maturity of the investments. Depending on the nature of the inputs, these assets are generally classified as Level 1 or 2 within the fair value measurement hierarchy.

Investment securities, trading – short-term debt

Short-term debt securities include certificates of deposit, commercial paper and corporate debt obligations with remaining maturities from three months to 12 months. Short-term debt securities held are generally valued on the basis of valuations provided by third-party pricing services, as derived from such services' pricing models. Inputs to the models may include, but are not limited to, reported trades, executable bid and ask prices, broker-dealer quotations, prices or yields of securities with similar characteristics, benchmark curves or information pertaining to the issuer, as well as industry and economic events. The pricing services may use a matrix approach, which considers information regarding securities with similar characteristics to determine the valuation for a security. Depending on the nature of the inputs, these assets are generally classified as Level 1 or 2 within the fair value measurement hierarchy.

Investment securities, trading – other debt
Other debt securities classified as trading include debt obligations held in the portfolios of consolidated sponsored funds and separately managed accounts. Other debt securities held are generally valued on the basis of valuations provided by third-party pricing services as described above for investment securities, trading – short-term debt. Other debt securities purchased with a remaining maturity of 60 days or less (excluding those that are non-U.S. denominated, which typically are valued by a third-party pricing service or dealer quotes) are generally valued at amortized cost, which approximates fair value. Depending upon the nature of the inputs, these assets are generally classified as Level 1 or 2 within the fair value measurement hierarchy.

Investment securities, trading – equity
Equity securities classified as trading include foreign and domestic equity securities held in the portfolios of consolidated sponsored funds and separately managed accounts. Equity securities are valued at the last sale, official close or, if there are no reported sales on the valuation date, at the mean between the latest available bid and ask prices on the primary exchange on which they are traded. When valuing foreign equity securities that meet certain criteria, the portfolios use a fair value service that values such securities to reflect market trading that occurs after the close of the applicable foreign markets of comparable securities or other instruments that have a strong correlation to the fair-valued securities. In addition, the Company performs its own independent back test review of fair values versus the subsequent local market opening prices when available. Depending upon the nature of the inputs, these assets generally are classified as Level 1 or 2 within the fair value measurement hierarchy.

Investment securities, available-for-sale
Investment securities classified as available-for-sale include investments in sponsored mutual funds and privately offered equity funds. Sponsored mutual funds are valued using published net asset values and are classified as Level 1 within the fair value measurement hierarchy. Investments in sponsored privately offered equity funds that are not listed on an active exchange but have net asset values that are comparable to mutual funds and have no redemption restrictions are classified as Level 2 within the fair value measurement hierarchy.

Derivative instruments
Derivative instruments, which include stock index futures contracts, total return swap contracts, foreign exchange contracts, commodity futures contracts, currency futures contracts and interest rate futures contracts, are recorded as either other assets or other liabilities on the Company's Consolidated Balance Sheets. Stock index futures contracts, total return swap contracts, commodity futures contracts, currency futures contracts and interest rate futures contracts are valued using a third-party pricing service that determines fair value based on bid and ask prices. Foreign exchange contracts are valued by interpolating a value using the spot foreign exchange rate and forward points, which are based on spot rate and currency interest rate differentials. Derivative instruments generally are classified as Level 2 within the fair value measurement hierarchy.

Assets of consolidated CLO entity
Consolidated CLO entity assets include investments in bank loans. Fair value is determined utilizing unadjusted quoted market prices when available. Interests in senior floating-rate loans for which reliable market quotations are readily available are valued generally at the average mid-point of bid and ask quotations obtained from a third-party pricing service. Fair value may also be based upon valuations obtained from independent third-party brokers or dealers utilizing matrix pricing models that consider information regarding securities with similar characteristics. In certain instances, fair value has been determined utilizing discounted cash flow analyses or single broker non-binding quotes. Depending on the nature of the inputs, these assets are classified as Level 2 or 3 within the fair value measurement hierarchy.

Transfers in and out of Levels

The following table summarizes fair value transfers between Level 1 and Level 2 of the fair value measurement hierarchy for the years ended October 31, 2017 and 2016:

(in thousands)	**2017**	**2016**
Transfers from Level 1 into Level 2[(1)]	$ 416	$ 87
Transfers from Level 2 into Level 1[(2)]	44	15

(1) *Transfers from Level 1 into Level 2 represent securities for which unadjusted quoted market prices in active markets became unavailable.*

(2) *Transfers from Level 2 into Level 1 represent securities for which unadjusted quoted market prices in active markets became available.*

Level 3 assets and liabilities

The Company did not hold any assets or liabilities valued on a recurring basis and classified as Level 3 within the fair value measurement hierarchy during the fiscal year ended October 31, 2017. The following table shows a reconciliation of the beginning and ending fair value measurements of assets and liabilities valued on a recurring basis and classified as Level 3 within the fair value measurement hierarchy for the fiscal year ended October 31, 2016:

(in thousands)	2016 Bank Loans and Other Investments of Eaton Vance CLO 2015-1	 Senior and Subordinated Note Obligations of Eaton Vance CLO 2015-1
Beginning balance	$ -	$ -
Net gains (losses) on investments and note obligations included in net income[1]	56	2,846
Purchases	72	-
Sales	(756)	-
Amortization of original issue discount	-	457
Transfers into Level 3[2]	700	390,654
Deconsolidation of CLO entity	(72)	(393,957)
Ending balance	$ -	$ -
Change in unrealized gains (losses) included in net income relating to assets and liabilities held	$ -	$ -

[1] *Substantially all net gains (losses) on investments and note obligations attributable to the assets and borrowings of the Company's consolidated CLO entities are allocated to non-controlling and other beneficial interests on the Company's Consolidated Statements of Income.*

[2] *Transfers into Level 3 were the result of a reduction in the availability of significant observable inputs used in determining the fair value of certain instruments.*

As discussed more fully in Note 6, the Company deconsolidated Eaton Vance CLO 2015-1 on September 21, 2016.

8. Fair Value Measurements of Other Financial Instruments

Certain financial instruments are not carried at fair value, but their fair value is required to be disclosed. The following is a summary of the carrying amounts and estimated fair values of these financial instruments at October 31, 2017 and 2016:

(in thousands)	2017 Carrying Value	 Fair Value	 Fair Value Level	2016 Carrying Value	 Fair Value	 Fair Value Level
Loan to affiliate	$ 5,000	$ 5,000	3	$ 5,000	$ 5,000	3
Investments, other	$ 18,685	$ 18,685	3	$ 19,034	$ 19,034	3
Other assets	$ 6,440	$ 6,440	3	$ 6,194	$ 4,328	3
Debt	$ 618,843	$ 644,454	2	$ 571,773	$ 603,625	2
Consolidated CLO entity line of credit	$ 12,598	$ 12,598	2	$ -	$ -	-

As discussed in Note 21, on December 23, 2015, Eaton Vance Management Canada Ltd. (EVMC), a wholly-owned subsidiary of the Company, loaned $5.0 million to Hexavest under a term loan agreement to seed a new investment strategy. The carrying value of the loan approximates fair value. The fair value is determined annually using a cash flow model that projects future cash flows based upon contractual obligations, to which the Company then applies an appropriate discount rate.

Included in investments, other, is a non-controlling capital interest in SigFig carried at $17.0 million at both October 31, 2017 and 2016 (see Note 4). The carrying value of this investment approximates fair value, as the Company purchased this investment in fiscal 2016 and there have been no events or changes in circumstances that would have had a significant effect on the fair value of this investment at October 31, 2017.

Included in other assets at October 31, 2017 and 2016 is an option to acquire an additional 26 percent interest in Hexavest carried at $6.4 million and $6.2 million, respectively. The exercise period of the option expires on December 11, 2017. The Company valued the option as of October 31, 2017 using a market approach and determined that the carrying value of the option is representative of fair value. As of October 31, 2016, the fair market value of the option was determined using a Monte Carlo model. The Monte Carlo model simulates potential future market multiples of earnings. The change in valuation approach is due to the fact the option is in the exercise period as of October 31, 2017, making it no longer appropriate to use future earnings to value the option.

The fair value of the Company's debt has been determined based on quoted prices in inactive markets.

CLO 2017-1 is in the warehousing phase as of October 31, 2017. The Company established CLO 2017-1 on August 24, 2017 and deems itself to be the primary beneficiary of CLO 2017-1 from that date. The Company did not elect the fair value option for amounts outstanding under the revolving line of credit upon the initial consolidation of CLO 2017-1. Additional information regarding CLO 2017-1, including the terms of the revolving line of credit, is included in Note 6. As discussed in Note 6, the line of credit bears interest based on a rate of daily LIBOR and is temporary in nature given that CLO 2017-1 is in the warehousing phase. The carrying amount of the revolving line of credit of $12.6 million as of October 31, 2017 approximates fair value as the line of credit was recently originated.

Subsequent event – Determination Not to Exercise Hexavest Option

On December 11, 2017, the Company determined not to exercise the option to acquire an additional 26 percent ownership interest in Hexavest under the terms of the option agreement entered into when the Company acquired its Hexavest position in 2012. As a result of this determination, the Company will recognize a loss equal to the option's carrying amount of $6.5 million as of December 11, 2017 within gains (losses) and other investment income, net in the Company's Consolidated Statement of Income.

9. Equipment and Leasehold Improvements

The following is a summary of equipment and leasehold improvements at October 31, 2017 and 2016:

(in thousands)	**2017**	**2016**
Equipment	$ 87,288	$ 78,460
Leasehold improvements	57,832	54,884
Subtotal	145,120	133,344
Less: Accumulated depreciation and amortization	(96,131)	(88,917)
Equipment and leasehold improvements, net	$ 48,989	$ 44,427

Depreciation and amortization expense was $9.1 million, $10.9 million and $11.4 million for the years ended October 31, 2017, 2016 and 2015, respectively.

10. Acquisitions, Goodwill and Intangible Assets

Atlanta Capital Management Company, LLC (Atlanta Capital)

In fiscal 2017, the Company exercised a series of call options through which it purchased the remaining 0.5 percent profit interest held by non-controlling interest holders of Atlanta Capital as of October 31, 2016 pursuant to the terms of the original Atlanta Capital acquisition agreement, as amended. The total purchase price under the call options exercised in fiscal 2017 was $3.2 million. The purchase price was based on a multiple of Atlanta Capital's earnings before taxes for the fiscal periods ended October 31, 2017 and 2016. In fiscal 2016, the Company purchased a 0.02 percent profit interest in Atlanta Capital for $0.1 million pursuant to the terms of the original acquisition agreement, as amended. The purchase price of this transaction was based on a multiple of Atlanta Capital's earnings before taxes for the fiscal period ended October 31, 2015.

In fiscal 2017 and 2016, the Company purchased 1.1 percent and 0.9 percent profit interests in Atlanta Capital for $4.2 million and $1.9 million, respectively, pursuant to the put and call provisions of the Atlanta Capital Management Company, LLC Long-term Equity Incentive Plan (the Atlanta Capital Plan). These transactions settled in November 2017 and 2016, respectively. In addition, the Company granted a 1.1 percent profit interest to employees of Atlanta Capital pursuant to the terms of the Atlanta Capital Plan in fiscal 2017. Please see Note 12 for additional information related to the Atlanta Capital Plan.

Total profit interests in Atlanta Capital held by non-controlling interest holders, including direct profit interests related to the original acquisition as well as indirect profit interests issued pursuant to the Atlanta Capital Plan, decreased to 11.6 percent on October 31, 2017 from 13.0 percent on October 31, 2016, reflecting the exercise of puts and calls as described above. As a result of these transactions, profit interests in Atlanta Capital held by non-controlling interest holders as of October 31, 2017 relate solely to indirect profit interests issued pursuant to the Atlanta Capital Plan. Non-controlling interest holders did not hold any capital interests in Atlanta Capital as of October 31, 2017 or 2016.

Calvert Research and Management (Calvert)

On December 30, 2016, the Company, through its newly formed subsidiary Calvert, acquired substantially all of the assets of Calvert Investments for cash. The transaction was accounted for as an asset acquisition because substantially all of the fair value of the gross assets acquired was concentrated in a single identifiable intangible asset related to acquired contracts to manage and distribute sponsored mutual funds (the Calvert Funds). The Calvert Funds are a diversified family of mutual funds, encompassing actively and passively managed equity, fixed income and asset allocation strategies managed in accordance with the Calvert Principles for Responsible Investment or other responsible investment criteria. The Company is not required to make any additional payments with respect to this transaction. Please see the acquired intangible assets section below for a summary of the acquired intangible assets.

Parametric Portfolio Associates LLC (Parametric)

In November 2013, the non-controlling interest holders of Parametric Risk Advisors entered into a Unit Acquisition Agreement with Parametric to exchange their remaining ownership interests in Parametric Risk Advisors (representing a 20 percent ownership interest in the entity) for additional ownership interests in Parametric Portfolio LP (Parametric LP), whose sole asset is ownership interests in Parametric. The Parametric LP ownership interests issued in the exchange, representing a 0.8 percent profit interest and a 0.8 percent capital interest, contain put and call features that become exercisable over a four-year period starting in fiscal 2018. As a result of this exchange, Parametric Risk Advisors became a wholly-owned subsidiary of Parametric.

In December 2012, Parametric acquired Clifton. As part of the transaction, the Company issued indirect ownership interests in Parametric LP to certain employees. These indirect interests, representing a 1.9 percent profit interest and a 1.9 percent capital interest, are subject to certain put and call features that are exercisable over a four-year period that began at closing. In fiscal 2017, the Company exercised a call option related to non-controlling interests in Parametric LP issued in conjunction with the Clifton acquisition, resulting in the Company’s acquisition of an indirect 0.5 percent profit interest and a 0.5 percent capital interest in Parametric for a total of $6.9 million. In fiscal 2016, the associated holders exercised a put option and the Company exercised a call option related to non-controlling interests in Parametric LP issued in conjunction with the Clifton acquisition, resulting in the Company’s acquisition of an indirect 0.5 percent profit interest and a 0.5 percent capital interest in Parametric for $6.2 million.

In fiscal 2017 and 2016, the Company purchased 0.5 percent and 0.1 percent profit interests in Parametric for $5.7 million and $0.6 million, respectively, pursuant to the put and call provisions of the Parametric Portfolio Associates LLC Long-term Equity Incentive Plan (the Parametric Plan). The fiscal 2017 purchase settled in November 2017 and the fiscal 2016 purchase settled in November 2016. Please see Note 12 for additional information related to the Parametric Plan.

Total profit interests in Parametric held by non-controlling interest holders, including indirect profit interests issued pursuant to the Parametric Plan, decreased to 6.0 percent as of October 31, 2017 from 7.0 percent as of October 31, 2016, reflecting the exercise of puts and calls as described above. Total capital interests in Parametric held by non-controlling interest holders decreased to 1.3 percent as of October 31, 2017 from 1.8 percent as of October 31, 2016.

Tax Advantaged Bond Strategies (TABS)

In fiscal 2009, the Company acquired the TABS business of M.D. Sass Investors Services, a privately held investment manager based in New York, New York for cash and future consideration. Subsequent to closing, the TABS business was reorganized as the Tax-Advantaged Bond Strategies division of Eaton Vance Management. The acquisition was completed prior to the change in accounting for contingent purchase price consideration. Accordingly, all contingent purchase price payments related to this acquisition are treated as adjustments to the purchase price allocation.

During fiscal 2017, the Company made a final contingent payment of $11.6 million to the selling group based upon prescribed multiples of revenue of the TABS business for the twelve months ended December 31, 2016, increasing goodwill by the payment amount.

Goodwill

The changes in the carrying amount of goodwill for the years ended October 31, 2017 and 2016 are as follows:

	October 31,	
(in thousands)	**2017**	**2016**
Balance, beginning of period	$ 248,091	$ 237,961
Goodwill acquired	11,590	10,130
Balance, end of period	$ 259,681	$ 248,091

All acquired goodwill is deductible for tax purposes.

The Company completed its most recent goodwill impairment testing in the fourth quarter of fiscal 2017 and determined that there was no impairment in the carrying value of this asset as of September 30, 2017. To evaluate the sensitivity of the goodwill impairment testing to the calculation of fair value, the Company applied a hypothetical 10 percent and 20 percent decrease to the fair value of each reporting unit. Based on such hypothetical scenarios, the results of the Company's impairment testing would not change, as the reporting units still had an excess of fair value over the carrying value under both hypothetical scenarios.

No impairment in the value of goodwill was recognized during the years ended October 31, 2017, 2016 or 2015.

Intangible assets

The following is a summary of intangible assets at October 31, 2017 and 2016:

October 31, 2017

(dollars in thousands)	**Weighted-Average Remaining Amortization Period (in years)**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Amortizing intangible assets:				
Client relationships acquired	8.7	$ 134,247	$ (103,314)	$ 30,933
Intellectual property acquired	8.6	1,025	(452)	573
Trademark acquired	12.3	4,257	(821)	3,436
Research system acquired	2.2	639	(177)	462
Non-amortizing intangible assets:				
Mutual fund management contracts acquired		54,408	-	54,408
Total		$ 194,576	$ (104,764)	$ 89,812

October 31, 2016

(dollars in thousands)	Weighted-Average Remaining Amortization Period (in years)		Gross Carrying Amount		Accumulated Amortization		Net Carrying Amount
Amortizing intangible assets:							
Client relationships acquired	8.5	$	133,927	$	(94,873)	$	39,054
Intellectual property acquired	9.6		1,025		(385)		640
Trademark acquired	3.2		900		(493)		407
Non-amortizing intangible assets:							
Mutual fund management contracts acquired			6,708		-		6,708
Total		$	142,560	$	(95,751)	$	46,809

No impairment in the value of amortizing or non-amortizing intangible assets was recognized during the years ended October 31, 2017, 2016 or 2015.

Amortization expense was $9.0 million, $8.6 million and $9.7 million for the years ended October 31, 2017, 2016 and 2015, respectively. Estimated amortization expense to be recognized by the Company over the next five years is as follows:

Year Ending October 31, *(in thousands)*		**Estimated Amortization Expense**
2018	$	8,927
2019		4,978
2020		3,807
2021		2,282
2022		2,154

Acquired intangible assets

The following is a summary of the intangible assets acquired in the first quarter of fiscal 2017 and the net carrying amount of these assets as of October 31, 2017:

(dollars in thousands)	Weighted-Average Remaining Amortization Period (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets:				
Client relationships acquired	14.2	$ 320	$ (18)	$ 302
Trademark acquired	13.2	3,357	(200)	3,157
Research system acquired	2.2	639	(177)	462
Non-amortizing intangible assets:				
Mutual fund management contracts acquired		47,700	-	47,700
Total	11.9	$ 52,016	$ (395)	$ 51,621

Amortization expense related to intangible assets acquired in the first quarter of fiscal 2017 was $0.4 million at October 31, 2017. Estimated remaining amortization expense for these assets for the next five fiscal years, on a straight-line basis, is as follows:

Year Ending October 31, *(in thousands)*	**Estimated Amortization Expense**
2018	$ 474
2019	474
2020	297
2021	261
2022	261

11. Debt

2027 Senior Notes

On April 6, 2017, the Company issued $300.0 million in aggregate principal amount of 3.5 percent ten-year senior notes due April 6, 2027, resulting in net proceeds of approximately $296.1 million after deducting the underwriting discount and offering expenses. Interest is payable semi-annually in arrears on April 6th and October 6th of each year, and commenced on October 6, 2017. At October 31, 2017, the carrying value of the 2027 Senior Notes was $296.4 million. The 2027 Senior Notes are unsecured and unsubordinated obligations of the Company. There are no covenants associated with the 2027 Senior Notes.

Redemption of 2017 Senior Notes

On May 6, 2017, the Company used net proceeds from the 2027 Senior Notes to redeem the remaining $250.0 million aggregate principal amount of its 2017 Senior Notes. The Company paid total consideration of $256.8 million at redemption to the holders of the 2017 Senior Notes, which was determined pursuant to the terms of the Indenture that governs the notes at an amount equal to the sum of the aggregate principal amount outstanding, the present value of the remaining scheduled payments of interest through the original maturity date and the interest accrued to the date of redemption. The Company recognized a $5.4 million non-operating loss on the extinguishment of the 2017 Senior Notes, representing the difference between the total consideration paid and the net carrying amount of the extinguished debt plus interest accrued to the date of redemption.

2023 Senior notes

During fiscal 2013, the Company issued $325.0 million in aggregate principal amount of 3.625 percent ten-year senior notes due June 15, 2023. Interest is payable semi-annually in arrears on June 15th and December 15th of each year. At October 31, 2017 and 2016, the carrying value of the 2023 Senior Notes was $322.4 million and $324.0 million, respectively. The 2023 Senior Notes are unsecured and unsubordinated obligations of the Company. There are no covenants associated with the 2023 Senior Notes.

Corporate credit facility

The Company entered into a $300.0 million senior unsecured revolving credit facility on October 21, 2014. The credit facility has a five-year term, expiring on October 21, 2019. Under the facility, the Company may borrow up to $300.0 million at LIBOR-based rates of interest that vary depending on the level of usage of the facility and credit ratings of the Company. The credit facility is unsecured, contains financial covenants with respect to leverage and interest coverage, and requires the Company to pay an annual commitment fee on any unused portion. As of October 31, 2017, the Company had no borrowings under its unsecured revolving credit facility.

12. Stock-Based Compensation Plans

The Company recognized compensation cost related to its stock-based compensation plans for the years ended October 31, 2017, 2016 and 2015 as follows:

(in thousands)	**2017**	**2016**	**2015**
Omnibus Incentive Plans:			
Stock options	$ 20,693	$ 18,870	$ 17,606
Restricted shares	48,955	43,199	41,789
Phantom stock units	524	263	241
Employee Stock Purchase Plans	716	389	624
Employee Stock Purchase Incentive Plan	753	601	512
Atlanta Capital Plan	3,420	2,905	2,534
Parametric Plan	3,816	5,373	6,214
Parametric Phantom Incentive Plan	1,172	-	-
Total stock-based compensation expense	$ 80,049	$ 71,600	$ 69,520

The total income tax benefit recognized for stock-based compensation arrangements was $29.0 million, $24.8 million and $23.3 million for the years ended October 31, 2017, 2016 and 2015, respectively.

Omnibus Incentive Plans

The 2013 Omnibus Incentive Plan (the 2013 Plan), which is administered by the Compensation Committee of the Board, allows for awards of stock options, restricted shares and phantom stock units to eligible employees and non-employee Directors and the issuance of shares to settle phantom incentive units awarded to employees of the Company's majority-owned subsidiaries. Options to purchase Non-Voting Common Stock granted under the 2013 Plan expire ten years from the date of grant, vest over five years and may not be granted with an exercise price that is less than the fair market value of the stock as of the close of business on the date of grant. Restricted shares of Non-Voting Common Stock granted under the 2013 Plan vest over five years and may be subject to performance goals. These performance goals generally relate to the achievement of specified levels of adjusted operating income. Phantom stock units granted to non-employee Directors under the 2013 Plan vest over two years. During fiscal 2017, the 2013 Plan was amended such that phantom stock units granted to non-employee Directors subsequent to November 2017 shall vest and settle on either the date of the non-employee Director's termination from the Board (other than for cause) or on the second anniversary of the award's grant date, depending on an election made by the non-employee Director. The 2013 Plan contains change in control provisions that may accelerate the vesting of awards. A total of 25.5 million shares of Non-Voting Common Stock have been reserved for issuance under the 2013 Plan. Through October 31, 2017, 5.7 million restricted shares, options to purchase 10.8 million shares and 1,360 shares to settle phantom incentive units have been issued pursuant to the 2013 Plan.

Stock options

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option valuation model. The Black-Scholes option valuation model incorporates assumptions as to dividend yield, volatility, an appropriate risk-free interest rate and the expected life of the option. Many of these assumptions require management's judgment. The dividend yield assumption represents the Company's expected dividend yield based on its historical dividend payouts and the stock price at the date of grant. The Company's stock volatility assumption is based upon its historical stock price fluctuations. The Company uses historical data to estimate option forfeiture rates and the expected life of options granted. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve at the time of grant.

The weighted-average fair values per share of stock options granted during the years ended October 31, 2017, 2016 and 2015 using the Black-Scholes option valuation model were as follows:

	2017	2016	2015
Weighted-average grant date fair value of options granted	$ 6.29	$ 7.39	$ 10.13
Assumptions:			
Dividend yield	2.6% to 3.2%	2.9% to 3.8%	2.3% to 2.7%
Expected volatility	25%	25% to 27%	27% to 34%
Risk-free interest rate	1.7% to 2.3%	1.3% to 2.0%	1.7% to 2.1%
Expected life of options	7.0 years	6.9 years	6.7 years

Stock option transactions under the 2013 Plan and predecessor plans for the year ended October 31, 2017 are summarized as follows:

(share and intrinsic value figures in thousands)	**Shares**		**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Term (in years)**		**Aggregate Intrinsic Value**
Options outstanding, beginning of period	20,311	$	33.52			
Granted	2,886		34.97			
Exercised	(5,599)		37.05			
Forfeited/expired	(11)		38.91			
Options outstanding, end of period	17,587	$	32.63	5.9	$	313,777
Options exercisable, end of period	8,266	$	28.84	3.9	$	178,826
Vested or expected to vest at October 31, 2017	17,549	$	32.62	5.9	$	313,217

The Company received $204.0 million, $103.7 million and $82.9 million related to the exercise of options for the fiscal years ended October 31, 2017, 2016 and 2015, respectively. Shares issued upon exercise of options represent newly issued shares. The total intrinsic value of options exercised during the years ended October 31, 2017, 2016 and 2015 was $58.9 million, $32.2 million and $46.2 million, respectively. The total fair value of options that vested during the year ended October 31, 2017 was $20.8 million.

As of October 31, 2017, there was $45.3 million of compensation cost related to unvested stock options granted under the 2013 Plan and predecessor plans not yet recognized. That cost is expected to be recognized over a weighted-average period of 2.6 years.

In November 2017, the Company granted options to purchase 1.7 million shares of the Company's Non-Voting Common Stock under the 2013 Plan to employees at a price of $50.67 per share, the then-current trading price of the underlying securities.

Restricted shares

The Company's restricted share awards are generally subject to graduated vesting schedules. Compensation expense is adjusted for estimated forfeitures and is recognized on a straight-line basis over the service periods underlying the awards. As of October 31, 2017, there was $103.1 million of compensation cost related to unvested awards granted under the 2013 Plan and predecessor plans not yet recognized. That cost is expected to be recognized over a weighted-average period of 2.7 years.

A summary of the Company's restricted share activity for the year ended October 31, 2017 under the 2013 Plan and predecessor plans is presented below:

(share figures in thousands)	**Shares**		**Weighted-Average Grant Date Fair Value**
Unvested, beginning of period	4,157	$	35.43
Granted	1,691		35.98
Vested	(1,217)		33.20
Forfeited	(66)		36.22
Unvested, end of period	4,565	$	36.22

The total fair value of restricted stock vested for the years ended October 31, 2017, 2016 and 2015 was $40.5 million, $38.1 million and $33.3 million, respectively. In November 2017, the Company awarded a total of 1.2 million shares of restricted shares under the 2013 Plan at a grant date fair value of $50.67 per share.

Phantom stock units

During fiscal 2017, 10,510 phantom stock units were issued to non-employee Directors pursuant to the 2013 Plan. Because these units are contingently forfeitable, compensation expense is recorded over the forfeiture period. The total liability paid out associated with phantom stock during the fiscal years ended October 31, 2017, 2016 and 2015 was $0.4 million, $0.3 million and $0.3 million, respectively. As of October 31, 2017, there was $0.3 million of compensation cost related to unvested phantom stock units granted under the 2013 Plan not yet recognized. That cost is expected to be recognized over a weighted-average period of one year.

Employee Stock Purchase Plans

The 2013 Employee Stock Purchase Plan (the Qualified ESPP) and the 2013 Nonqualified Employee Stock Purchase Plan (the Nonqualified ESPP) (together, the Employee Stock Purchase Plans), which are administered by the Compensation Committee of the Board, permit eligible employees to direct up to a maximum of $12,500 per six-month offering period toward the purchase of Non-Voting Common Stock at the lower of 90 percent of the market price of the Non-Voting Common Stock at the beginning or at the end of each offering period. The Qualified ESPP qualifies under Section 423 of the U.S. Internal Revenue Code of 1986, as amended (Internal Revenue Code). A total of 0.5 million and 0.1 million shares of the Company's Non-Voting Common Stock have been reserved for issuance under the Qualified ESPP and Nonqualified ESPP, respectively. Through October 31, 2017, 0.4 million shares have been issued pursuant to the Employee Stock Purchase Plans.

The Company received $3.0 million, $3.1 million and $3.3 million related to shares issued under the Employee Stock Purchase Plans for the years ended October 31, 2017, 2016 and 2015, respectively.

Employee Stock Purchase Incentive Plan

The 2013 Incentive Compensation Nonqualified Employee Stock Purchase Plan (the Employee Stock Purchase Incentive Plan), which is administered by the Compensation Committee of the Board, permits employees to direct up to half of their incentive bonuses and commissions toward the purchase of the Company's Non-Voting Common Stock at the lower of 90 percent of the market price of the Non-Voting Common Stock at the beginning or at the end of each quarterly offering period. A total of 0.6 million shares of the Company's Non-Voting Common Stock have been reserved for issuance under the Employee Stock Purchase Incentive Plan. Through October 31, 2017, 0.4 million shares have been issued pursuant to the plan.

The Company received $4.0 million, $3.6 million and $3.5 million related to shares issued under the Employee Stock Purchase Incentive Plan for the years ended October 31, 2017, 2016 and 2015, respectively.

Atlanta Capital and Parametric Long-term Equity Incentive Plans

The Atlanta Capital Plan and the Parametric Plan allow for awards of profit units of Atlanta Capital and Parametric, respectively, to key employees. Profit units granted under the Atlanta Capital and Parametric Plans vest over five years and entitle the holders to quarterly distributions of available cash flow. Fair value of the awards is determined on the grant date utilizing an annual appraisal of each entity. The annual appraisal is developed using two models, an income approach and a market approach, as described in Note 1. These models utilize appropriate discount rates as well as relevant investment management industry market multiples. Vested profit units are redeemable upon the exercise of limited in-service put rights held by the employee or call rights held by the Company. The call rights held by the Company entitle the Company to repurchase the profit units at the end of a ten-year call period and each year thereafter, and upon termination of employment. Execution of the puts and calls takes place upon availability of the annual appraisal to ensure the transactions take place at fair value. Profit units are not reserved for issuance; the number of profit units authorized for awards is determined annually by the Company on the first calendar day of the fiscal year. The awards under the Atlanta Capital and Parametric Plans are accounted for as equity awards.

During the fiscal year ended October 31, 2017, 25,661 profit units of Atlanta Capital were issued to certain employees of that entity pursuant to the Atlanta Capital Plan at a weighted-average per unit price of $153.85. Because the units are contingently forfeitable, compensation expense is recorded on a straight-line basis over the forfeiture period of five years. As of October 31, 2017, there was $7.6 million of compensation cost related to unvested awards granted under the Atlanta Capital Plan not yet recognized. That cost is expected to be recognized over a weighted-average period of 3.1 years. Through October 31, 2017, 323,016 profit units have been issued pursuant to the Atlanta Capital Plan.

During the fiscal year ended October 31, 2017, the Company did not issue profit units of Parametric under the Parametric Plan. Because the units historically issued under the Parametric Plan are contingently forfeitable, compensation expense is recorded on a straight-line basis over the forfeiture period of five years. As of October 31, 2017, there was $6.9 million of compensation cost related to unvested awards granted under the Parametric Plan not yet recognized. That cost is expected to be recognized over a weighted-average period of 2.5 years. Through October 31, 2017, 39,423 profit units have been issued pursuant to the Parametric Plan.

The Company did not grant any profit units under the Atlanta Capital or Parametric Plans during November 2017.

Atlanta Capital and Parametric Phantom Incentive Plans

The 2017 Atlanta Capital Phantom Incentive Plan (the Atlanta Capital Phantom Incentive Plan), which was recommended by the Compensation Committee and approved by the Board on October 25, 2017, and the

2016 Parametric Phantom Incentive Plan (the Parametric Phantom Incentive Plan) are long-term equity incentive plans that provide for the award of phantom incentive units to eligible employees of Atlanta Capital and Parametric, respectively. The phantom incentive units vest over five years. The grant date value of phantom incentive units is tied to the enterprise value of Atlanta Capital or Parametric adjusted to take into consideration that the phantom incentive units do not have rights to receive quarterly cash flow distributions from Atlanta Capital or Parametric, as applicable, or to quarterly dividends from the Company. At each vesting date, the vested portion of the award is adjusted to reflect the then-current enterprise value of Atlanta Capital or Parametric, as applicable, and the adjusted value of the vested award is settled in Eaton Vance Non-Voting Common Stock under the 2013 Plan. Because the units are contingently forfeitable, compensation expense is recorded on a straight-line basis over the five-year forfeiture period using the grant date phantom incentive unit value. The phantom incentive unit value of an award is determined utilizing annual appraisals of Atlanta Capital and Parametric. The annual appraisals are developed using two models, an income approach and a market approach, as described in 1. These models utilize appropriate discount rates as well as relevant investment management industry market multiples. Phantom incentive units are not reserved for issuance; the number of phantom incentive units authorized for awards is determined annually by the Company on the first calendar day of the fiscal year. However, since the awards are settled under the 2013 Plan, the awards are subject to the Non-Voting Common Stock reserves defined under the 2013 Plan. As described above, a total of 25.5 million shares of Non-Voting Common Stock have been reserved for issuance under the 2013 Plan. The awards under the Atlanta Capital Phantom Incentive Plan and the Parametric Phantom Incentive Plan are accounted for as equity awards.

Parametric Phantom Incentive Plan
During the fiscal year ended October 31, 2017, the Company granted a total of 3,212 phantom incentive units with a weighted-average grant date phantom incentive unit value of $1,770.94 per unit. Also during the fiscal year ended October 31, 2017, 24 phantom incentive units vested and were settled with 1,360 shares of Non-Voting Common Stock based on the October 31, 2017 Parametric enterprise value of $2,860.16 per unit and the October 31, 2017 price of the Company's Non-Voting Common Stock of $50.47.

As of October 31, 2017, there was $4.5 million of compensation cost related to unvested awards granted under the Parametric Phantom Incentive Plan not yet recognized. That cost is expected to be recognized over a weighted-average period of 4 years. Through October 31, 2017, 3,212 phantom incentive units have been issued pursuant to the Parametric Phantom Incentive Plan.

In November 2017, the Company granted a total of 3,402 phantom incentive units at a grant date phantom incentive unit value of $2,208.66 per unit.

Atlanta Capital Phantom Incentive Plan
The Company did not grant any phantom incentive units under the Atlanta Capital Phantom Incentive Plan during fiscal 2017. In November 2017, the Company granted a total of 19,931 phantom incentive units at a grant date phantom incentive unit value of $142.31 per unit.

Stock Option Income Deferral Plan

The Company has established an unfunded, non-qualified Stock Option Income Deferral Plan to permit key employees to defer recognition of income upon exercise of non-qualified stock options previously granted by the Company. As of October 31, 2017, options to purchase 0.2 million shares have been exercised and placed in trust with the Company.

13. Employee Benefit Plans

Profit Sharing and Savings Plan

The Company has a Profit Sharing and Savings Plan for the benefit of employees. The Profit Sharing and Savings Plan is a defined contribution profit sharing plan with a 401(k) deferral component. All full-time employees who have met certain age and length of service requirements are eligible to participate in the plan. The plan allows participating employees to make elective deferrals of compensation up to the plan's annual limits. The Company then matches each participant's contribution on a dollar-for-dollar basis to a maximum of $1,040 per annum. In addition, the Company may, at its discretion, contribute up to 15 percent of eligible employee compensation to the plan, up to a maximum of $39,750, $39,750 and $39,000 per employee for the years ended October 31, 2017, 2016 and 2015, respectively. The Company's expense under the plan was $25.3 million, $23.9 million and $22.7 million for the years ended October 31, 2017, 2016 and 2015, respectively.

Supplemental Profit Sharing Retirement Plan

The Company has an unfunded, non-qualified Supplemental Profit Sharing Retirement Plan whereby certain key employees of the Company may receive profit sharing contributions in excess of the amounts allowed under the Profit Sharing and Savings Plan. Participation in the Supplemental Profit Sharing Retirement Plan has been frozen and is restricted to employees who qualified as participants on November 1, 2002. The Company did not make any contributions to the plan in fiscal 2017. Participants in the Supplemental Profit Sharing Retirement Plan continue to earn investment returns on their balances commensurate with those earned in the employer-directed portion of the Profit Sharing and Savings Plan. The Company's expense under the Supplemental Profit Sharing Retirement Plan for the years ended October 31, 2017, 2016 and 2015 was $34,599, $12,320 and $1,486, respectively.

14. Common Stock

All outstanding shares of the Company's Voting Common Stock are deposited in a voting trust, the trustees of which have unrestricted voting rights with respect to the Voting Common Stock. The trustees of the voting trust are all officers of the Company. Non-Voting Common shares do not have voting rights under any circumstances. During fiscal 2017, the Company did not issue or repurchase any Voting Common Stock.

The Company's current Non-Voting Common Stock share repurchase program was announced on January 11, 2017. The Board authorized management to repurchase and retire up to 8.0 million shares of its Non-Voting Common Stock on the open market and in private transactions in accordance with applicable securities laws. The timing and amount of share purchases are subject to management's discretion. The Company's share repurchase program is not subject to an expiration date.

In fiscal 2017, the Company purchased and retired approximately 2.0 million shares of its Non-Voting Common Stock under the current repurchase authorization and approximately 0.9 million shares under a previous repurchase authorization. Approximately 6.1 million additional shares may be repurchased under the current authorization as of October 31, 2017.

15. Non-operating Income (Expense)

The components of non-operating income (expense) for the years ended October 31, 2017, 2016 and 2015 were as follows:

(in thousands)	2017	2016	2015
Interest and other income	$ 22,501	$ 11,515	$ 9,346
Net losses on investments and derivatives	(1,901)	(116)	(9,151)
Net foreign currency gains (losses)	(1,297)	1,012	(226)
Gains (losses) and other investment income, net	19,303	12,411	(31)
Interest expense	(27,496)	(29,410)	(29,357)
Loss on extinguishment of debt	(5,396)	-	-
Other income (expense) of consolidated CLO entities: [(1)]			
Interest income	-	17,975	3,467
Net gains on bank loans, other investments and note obligations	-	6,094	1,625
Gains and other investment income, net	-	24,069	5,092
Structuring and closing fees	-	-	(2,359)
Interest expense	-	(13,286)	(4,408)
Interest and other expense	-	(13,286)	(6,767)
Total non-operating expense	$ (13,589)	$ (6,216)	$ (31,063)

[(1)] *Net income earned by the consolidated CLO entity in 2017 was negligible as the CLO entity was consolidated in the fourth quarter of the fiscal year and is in a warehouse phase.*

16. Income Taxes

The provision for income taxes for the years ended October 31, 2017, 2016 and 2015 consists of the following:

(in thousands)	2017	2016	2015
Current:			
Federal	$ 136,959	$ 114,350	$ 117,682
State	22,753	17,305	20,837
Deferred:			
Federal	11,952	18,391	4,614
State	2,002	3,584	81
Total	$ 173,666	$ 153,630	$ 143,214

Deferred income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts and tax bases of the Company's assets and liabilities. The significant components of deferred income taxes are as follows:

(in thousands)	2017	2016
Deferred tax assets:		
Stock-based compensation	$ 58,883	$ 66,221
Investment basis in partnerships	12,375	12,575
Deferred rent	12,354	7,478
Differences between book and tax bases of investments	6,961	4,193
Compensation and benefit expense	4,679	3,233
Federal benefit of unrecognized state tax benefits	410	716
Other	373	409
Total deferred tax asset	$ 96,035	$ 94,825
Deferred tax liabilities:		
Deferred sales commissions	$ (14,022)	$ (10,407)
Differences between book and tax bases of property	(7,930)	(7,537)
Differences between book and tax bases of goodwill and intangibles	(4,240)	(1,322)
Unrealized net holding gains on investments	(2,558)	(1,821)
Unrealized gains on derivative instruments	(185)	(443)
Total deferred tax liability	$ (28,935)	$ (21,530)
Net deferred tax asset	$ 67,100	$ 73,295

The Company records a valuation allowance when necessary to reduce deferred tax assets to an amount that is more likely than not to be realized. No valuation allowance has been recorded for deferred tax assets, reflecting management's belief that all deferred tax assets will be utilized.

The following table reconciles the Company's effective tax rate from the U.S. federal statutory tax rate to such amount for each of the years ended October 31, 2017, 2016 and 2015:

	2017	2016	2015
Federal statutory rate	35.0 %	35.0 %	35.0 %
State and local income tax, net of federal income tax benefit	3.5	3.5	3.8
Non-controlling interest	(1.8)	(2.0)	(0.8)
Stock-based compensation	0.3	0.6	0.8
Other	-	0.6	-
Effective income tax rate	37.0 %	37.7 %	38.8 %

The exercise of stock options and lapse of restricted stock awards resulted in a reduction of taxes payable of approximately $3.2 million, $2.2 million and $10.0 million for the years ended October 31, 2017, 2016 and 2015, respectively. Such benefit has been reflected as a component of shareholders' equity.

The changes in gross unrecognized tax benefits, excluding interest and penalties, for the years ended October 31, 2017, 2016 and 2015 are as follows:

(in thousands)	2017	2016	2015
Beginning Balance	$ 1,859	$ 2,100	$ 1,798
Additions for tax positions of prior years	12	6	437
Additions based on tax positions related to current year	75	57	62
Reductions for tax positions of prior years	(898)	-	(130)
Reductions for settlements with taxing authorities	(19)	-	-
Lapse of statute of limitations	-	(304)	(67)
Ending Balance	$ 1,029	$ 1,859	$ 2,100

The total amount of unrecognized tax benefits as of October 31, 2017, 2016 and 2015 that, if recognized, would impact the effective tax rate is $1.0 million, $1.9 million and $2.1 million, respectively.

The Company did not recognize any interest or penalties in its tax provision during the year ended October 31, 2017. In the years ended October 31, 2016 and 2015, the Company recognized $(0.2) million and $0.1 million, respectively, in interest and penalties in its income tax provision. Accrued interest and penalties, which are included as a component of unrecognized tax benefits, totaled $0.6 million at both October 31, 2017 and 2016 and $0.8 million at October 31, 2015.

The Company believes that it is reasonably possible that approximately $0.6 million of its currently remaining unrecognized tax benefits, each of which are individually insignificant, may be recognized within the next 12 months as a result of a lapse of the statute of limitations and settlements with state taxing authorities.

The Company considers the undistributed earnings of certain of its foreign corporations to be indefinitely reinvested in foreign operations as of October 31, 2017. Accordingly, no U.S. income taxes have been provided thereon. As of October 31, 2017, the Company had approximately $61.7 million of undistributed earnings in certain Canadian, United Kingdom, and Australian foreign corporations that are not available to fund domestic operations or to distribute to shareholders unless repatriated. Repatriation would require the Company to accrue and pay U.S. corporate income taxes. The unrecognized deferred income tax liability on these un-repatriated funds, or temporary difference, is estimated to be $7.7 million at October 31, 2017. The Company does not intend to repatriate these funds, has not previously repatriated funds from these entities and has the financial liquidity to permanently leave these funds offshore.

The Company is generally no longer subject to income tax examinations by U.S. federal, state, local or non-U.S. taxing authorities for fiscal years prior to fiscal 2013.

In fiscal 2016, the Company identified an immaterial error related to basis adjustments of certain partnership interests arising from Company repurchases of non-controlling interests in majority-owned subsidiaries that was not recorded in previous fiscal periods. The cumulative impact of this error resulted in an increase to deferred income tax asset and additional paid-in-capital in the amount of $50.5 million recorded as of October 31, 2016. The error was not considered material to the Company's Consolidated Statement of Equity as of October 31, 2015, and had no effect on the Consolidated Statements of Income, Comprehensive Income, or Cash Flows as of and for the years ended October 31, 2016 and 2015. The fiscal 2016 basis adjustment of $2.2 million was reflected within the Company's deferred income tax asset and additional paid-in-capital in the accompanying Consolidated Balance Sheet as of October 31, 2016.

17. Non-controlling and Other Beneficial Interests

Non-controlling and other beneficial interests are as follows:

Non-redeemable non-controlling interests

Non-redeemable non-controlling interests consist entirely of unvested profit interests granted to employees of the Company's majority-owned subsidiaries under subsidiary-specific long-term equity plans. These grants become subject to put rights upon vesting and will be reclassified to temporary equity as vesting occurs.

Redeemable non-controlling interests at other than fair value

During the year ended October 31, 2017, the Company acquired the remaining profit interests held by the non-controlling interest holders of Atlanta Capital, as discussed further in Note 10. As a result, the Company had no non-controlling interests that are redeemable at other than fair value as of October 31, 2017.

Net income attributable to non-controlling and other beneficial interests in fiscal 2017, 2016 and 2015 reflects an increase of $0.5 million, an increase $0.2 million and a decrease of $0.2 million, respectively, in the estimated redemption value of redeemable non-controlling interests in Atlanta Capital.

Redeemable non-controlling interests at fair value

Interests in the Company's consolidated funds and vested interests granted to employees of the Company's majority-owned subsidiaries under subsidiary-specific long-term equity plans are considered redeemable at fair value. Future changes in the redemption value of these interests will be recognized as increases or decreases to additional paid-in capital. Any future payments made to these non-controlling interest holders will reduce temporary equity.

The components of net income attributable to non-controlling and other beneficial interests for the years ended October 31, 2017, 2016 and 2015 were as follows:

(in thousands)	**2017**	**2016**	**2015**
Consolidated sponsored funds	$ (6,816)	$ 43	$ 1,752
Majority-owned subsidiaries	(16,895)	(13,525)	(15,673)
Non-controlling interest value adjustments[(1)]	(531)	(200)	204
Consolidated CLO entities[(2)]	-	(9,768)	5,825
Net income attributable to non-controlling and other beneficial interests	$ (24,242)	$ (23,450)	$ (7,892)

[(1)] *Relates to non-controlling interests redeemable at other than fair value.*
[(2)] *Net income earned by the consolidated CLO entity in 2017 was negligible as the CLO entity was consolidated in the fourth quarter of the fiscal year and is in a warehouse phase.*

18. Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), net of tax, for the years ended October 31, 2017, 2016 and 2015 are as follows:

(in thousands)	Unamortized Net Gains (Losses) on Cash Flow Hedges[(1)]	Net Unrealized Gains (Losses) on Available-for-Sale Investments[(2)]	Foreign Currency Translation Adjustments[(3)]	Total
Balance at October 31, 2014	$ 661	$ 5,628	$ (24,285)	$ (17,996)
Other comprehensive loss, before reclassifications and tax	-	(8)	(28,877)	(28,885)
Tax impact	-	3	(115)	(112)
Reclassification adjustments, before tax	22	(2,992)	463	(2,507)
Tax impact	(9)	1,102	(179)	914
Net current period other comprehensive income (loss)	13	(1,895)	(28,708)	(30,590)
Balance at October 31, 2015	$ 674	$ 3,733	$ (52,993)	$ (48,586)
Other comprehensive income (loss), before reclassifications and tax	-	732	(8,220)	(7,488)
Tax impact	-	(303)	-	(303)
Reclassification adjustments, before tax	22	(2,082)	-	(2,060)
Tax impact	(9)	863	-	854
Net current period other comprehensive income (loss)	13	(790)	(8,220)	(8,997)
Balance at October 31, 2016	$ 687	$ 2,943	$ (61,213)	$ (57,583)
Other comprehensive income (loss), before reclassifications and tax	(684)	1,930	9,310	10,556
Tax impact	271	(743)	-	(472)
Reclassification adjustments, before tax	40	(4)	-	36
Tax impact	(13)	2	-	(11)
Net current period other comprehensive income (loss)	(386)	1,185	9,310	10,109
Balance at October 31, 2017	$ 301	$ 4,128	$ (51,903)	$ (47,474)

(1) *Amounts reclassified from accumulated other comprehensive income (loss), net of tax, represent the amortization of net gains (losses) on qualifying derivative financial instruments designated as cash flow hedges over the life of the Company's senior notes into interest expense on the Consolidated Statements of Income.*

(2) *Amounts reclassified from accumulated other comprehensive income (loss), net of tax, represent gains (losses) on disposal of available-for-sale securities that were recorded in gains (losses) and other investment income, net, on the Consolidated Statements of Income.*

(3) *Amounts reclassified from accumulated other comprehensive income (loss), net of tax, represent the realization of foreign currency translation losses on a consolidated sponsored fund denominated in Euros that was deconsolidated during fiscal 2015. These amounts were recorded in gains (losses) and other investment income, net, on the Consolidated Statements of Income.*

19. Earnings per Share

The following table sets forth the calculation of earnings per basic and diluted share for the years ended October 31, 2017, 2016 and 2015:

(in thousands, except per share data)	2017	2016	2015
Net income attributable to Eaton Vance Corp. shareholders	$ 282,131	$ 241,307	$ 230,299
Less: Allocation of earnings to participating restricted shares	-	-	3,885
Net income available to common shareholders	$ 282,131	$ 241,307	$ 226,414
Weighted-average shares outstanding – basic	110,918	109,914	113,318
Incremental common shares	5,500	4,068	4,837
Weighted-average shares outstanding – diluted	116,418	113,982	118,155
Earnings per share:			
Basic	$ 2.54	$ 2.20	$ 2.00
Diluted	$ 2.42	$ 2.12	$ 1.92

Antidilutive common shares related to stock options and unvested restricted stock excluded from the computation of earnings per diluted share were approximately 3.7 million, 11.9 million and 7.8 million for the years ended October 31, 2017, 2016 and 2015, respectively.

20. Commitments and Contingencies

In the normal course of business, the Company enters into agreements that include indemnities in favor of third parties, such as engagement letters with advisors and consultants, information technology agreements, distribution agreements and service agreements. In certain circumstances, these indemnities in favor of third parties relate to service agreements entered into by investment funds advised by Eaton Vance Management, Boston Management and Research, or Calvert, all of which are direct or indirect wholly-owned subsidiaries of the Company. The Company has also agreed to indemnify its directors, officers and employees in accordance with the Company's Articles of Incorporation, as amended. Certain agreements do not contain any limits on the Company's liability and, therefore, it is not possible to estimate the Company's potential liability under these indemnities. In certain cases, the Company has recourse against third parties with respect to these indemnities. Further, the Company maintains insurance policies that may provide coverage against certain claims under these indemnities.

The Company and its subsidiaries are subject to various legal proceedings. In the opinion of management, after discussions with legal counsel, the ultimate resolution of these matters will not have a material effect on the consolidated financial condition, results of operations or cash flows of the Company.

In November 2010, the Company acquired patents and other intellectual property from Managed ETFs LLC, a developer of intellectual property in the field of exchange-traded funds. The intellectual property is the foundation of the Company's NextShares™ exchange-traded managed funds initiative. The terms of the acquisition of the patents and other intellectual property of Managed ETFs LLC include approximately $9.0 million in aggregate contingent milestone payments that are based on specific events representing key developments in the commercialization of NextShares. There is no defined timing on these payments, resulting in significant uncertainty as to when the amount of any payment is due in the future. If and when the milestones have been accomplished, Managed ETFs LLC is also entitled to revenue-sharing payments that are calculated based on a percentage of licensing revenue that the Company receives for use of the acquired intellectual property.

The Company leases certain office space and equipment under non-cancelable operating leases. The office space leases expire over various terms that extend through 2034. Certain of the leases contain renewal options. The lease payments are recognized on a straight-line basis over the non-cancelable term of each lease plus any anticipated extensions. Rent expense under these leases in fiscal 2017, 2016 and 2015 totaled $21.9 million, $21.2 million and $21.5 million, respectively. Future minimum lease commitments are as follows:

Year Ending October 31, *(in thousands)*		**Amount**[1]
2018	$	23,252
2019		23,621
2020		23,204
2021		20,644
2022		19,412
2023 – thereafter		217,713
Total	$	327,846

[1] *Future minimum lease payments have not been reduced by minimum sublease rentals of $0.1 million due in the future.*

The Company subleases to unaffiliated third parties office space under operating leases that expire over various terms. The sublease payments are recognized on a straight-line basis over the non-cancelable terms of the subleases. Rental income under these subleases totaled $0.1 million, $0.3 million and $1.3 million for the fiscal years ended October 31, 2017, 2016 and 2015, respectively. Future minimum rental payments are $61,000 and $35,000 during the fiscal years ended October 31, 2018 and 2019, respectively. There are no future minimum rental payments due to the Company in periods after fiscal 2019.

Other commitments and contingencies include puts and calls related to indirect profit interests issued pursuant to the Atlanta Capital Plan and the Parametric Plan as well as the original Atlanta Capital acquisition agreement, as more fully described in Note 10.

21. Related Party Transactions

Sponsored funds

The Company is an investment adviser to, and has administrative agreements with, certain sponsored mutual funds, privately offered equity funds and closed-end funds for which employees of the Company are officers and/or directors. Substantially all of the services to these entities for which the Company earns a fee, including investment advisory, distribution, shareholder and administrative services, are provided under contracts that set forth the services to be provided and the fees to be charged. Certain of these contracts are subject to annual review and approval by the funds' boards of directors or trustees. Revenues for services provided or related to these funds for the years ended October 31, 2017, 2016 and 2015 are as follows:

(in thousands)	2017	2016	2015
Management fees	$ 927,453	$ 809,102	$ 865,792
Distribution fees	75,531	71,784	73,468
Service fees	119,962	107,684	116,448
Shareholder service fees	4,482	2,433	2,641
Other revenue	731	2,133	2,384
Total	$ 1,128,159	$ 993,136	$ 1,060,733

For the years ended October 31, 2017, 2016 and 2015, the Company had investment advisory agreements with certain sponsored funds pursuant to which the Company contractually waived $16.7 million, $15.1 million and $13.0 million, respectively, of management fees it was otherwise entitled to receive.

Sales proceeds and net realized gains for the years ended October 31, 2017, 2016 and 2015 from investments in sponsored funds classified as available-for-sale, including sponsored funds accounted for under the equity method, are as follows:

(in thousands)	2017	2016	2015
Proceeds from sales	$ 14,136	$ 10,895	$ 44,736
Net realized gains	306	2,154	3,943

The Company bears the non-advisory expenses of certain sponsored funds for which it earns an all-in management fee and provides subsidies to startup and other smaller sponsored funds to enhance their competitiveness. For the years ended October 31, 2017, 2016 and 2015, expenses of $35.0 million, $24.4 million and $22.5 million, respectively, were incurred by the Company pursuant to these arrangements.

Included in management fees and other receivables at October 31, 2017 and 2016 are receivables due from sponsored funds of $100.0 million and $88.7 million, respectively. Included in accounts payable and accrued expenses at October 31, 2017 and 2016 are payables due to sponsored funds of $1.7 million and $1.6 million, respectively.

Loan to affiliate

On December 23, 2015, EVMC loaned $5.0 million to Hexavest under a term loan agreement to seed a new investment strategy. The loan renews automatically for an additional one-year period on each anniversary date unless written termination notice is provided by EVMC. The loan earns interest equal to the one-year Canadian Dollar Offered Rate plus 200 basis points, which is payable quarterly in arrears. Hexavest may prepay the loan in whole or in part at any time without penalty. The Company recorded $0.2 million and $0.1 million of interest income related to the loan in gains (losses) and other investment income, net, on the Company's Consolidated Statement of Income in fiscal 2017 and 2016, respectively. Interest due from Hexavest under this arrangement included in other assets on the Company's Consolidated Balance Sheets was $13,000 at both October 31, 2017 and 2016.

Hexavest agreements

The Company has an agreement with Hexavest whereby the Company compensates Hexavest for sub-advisory services and Hexavest reimburses the Company for a portion of fund subsidies related to certain investment companies for which the Company is the investment adviser. The Company paid Hexavest $0.4 million, $0.3 million and $0.3 million in sub-advisory fees in fiscal 2017, 2016 and 2015, respectively, and the Company received $0.1 million, $0.2 million and $1.2 million in fiscal 2017, 2016 and 2015, respectively, from Hexavest for reimbursement of fund subsidies. The amount due to Hexavest under this arrangement, which is included in other liabilities on the Company's Consolidated Balance Sheets, was $51,000 at October 31, 2016. As of October 31, 2017, the Company did not have any amounts due to Hexavest under this arrangement.

In addition, the Company has an agreement with Hexavest whereby the Company is reimbursed for placement costs of certain institutional separately managed accounts. The Company earned $2.4 million under this arrangement during each of fiscal 2017, 2016 and 2015. The amount due from Hexavest under this arrangement, which is included in other assets on the Company's Consolidated Balance Sheets, was $0.3 million at both October 31, 2017 and 2016.

Employee loan program

The Company has established an Employee Loan Program under which a program maximum of $20.0 million is available for loans to officers (other than executive officers) and other key employees of the Company for purposes of financing the exercise of employee stock options. Loans are written for a seven-year period, at varying fixed interest rates (currently ranging from 0.9 percent to 2.9 percent), are payable in annual installments commencing with the third year in which the loan is outstanding, and are collateralized by the stock issued upon exercise of the option. All loans under the program must be made on or before October 31, 2018. Loans outstanding under this program, which are full recourse in nature, are reflected as notes receivable from stock option exercises in shareholders' equity, and were $11.1 million and $12.1 million at October 31, 2017 and 2016, respectively.

22. Regulatory Requirements

The Company is required to maintain net capital in certain regulated subsidiaries within a number of jurisdictions. Such requirements may limit the Company's ability to make withdrawals of capital from these subsidiaries.

Eaton Vance Distributors, Inc. (EVD), a wholly-owned subsidiary of the Company and principal underwriter of the Eaton Vance and Parametric funds, is subject to the U.S. Securities and Exchange Commission's uniform net capital rule, which requires the maintenance of minimum net capital. For purposes of this rule, EVD had net capital of $82.7 million, which exceeds its minimum net capital requirement of $3.6 million at October 31, 2017. The ratio of aggregate indebtedness to net capital at October 31, 2017 was 0.66-to-1.

At October 31, 2017, the Company was required to maintain net capital in certain other regulated subsidiaries. The Company was in compliance with all applicable regulatory minimum net capital requirements.

23. Concentrations of Credit Risk and Significant Relationships

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents held. The Company maintains cash and cash equivalents with various financial institutions. Cash deposits maintained at a financial institution may exceed the federally insured limit.

During the fiscal years ended October 31, 2017, 2016 and 2015, there were no managed portfolios, related funds or other clients that provided over 10 percent of the total revenue for the Company.

24. Geographic Information

Revenues by principal geographic area for the years ended October 31, 2017, 2016 and 2015 are as follows:

(in thousands)	**2017**	**2016**	**2015**
Revenue:			
U.S.	$ 1,466,495	$ 1,289,830	$ 1,340,760
International	62,515	53,030	62,803
Total	$ 1,529,010	$ 1,342,860	$ 1,403,563

Long-lived assets by principal geographic area as of October 31, 2017 and 2016 are as follows:

(in thousands)	**2017**	**2016**
Long-lived Assets:		
U.S.	$ 46,804	$ 42,153
International	2,185	2,274
Total	$ 48,989	$ 44,427

International revenues and long-lived assets are attributed to countries based on the location in which revenues are earned.

25. Comparative Quarterly Financial Information (Unaudited)

	2017				
(in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Total revenue	$ 354,959	$ 374,632	$ 393,746	$ 405,673	$ 1,529,010
Operating income	$ 105,436	$ 117,920	$ 121,031	$ 138,371	$ 482,758
Net income	$ 64,341	$ 77,633	$ 74,853	$ 89,546	$ 306,373
Net income attributable to Eaton Vance Corp. shareholders	$ 60,711	$ 71,975	$ 67,361	$ 82,084	$ 282,131
Earnings per Share:					
Basic	$ 0.55	$ 0.65	$ 0.61	$ 0.73	$ 2.54
Diluted	$ 0.53	$ 0.62	$ 0.58	$ 0.69	$ 2.42

	2016				
(in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Total revenue	$ 331,556	$ 323,290	$ 341,168	$ 346,846	$ 1,342,860
Operating income	$ 100,625	$ 95,768	$ 106,725	$ 111,150	$ 414,268
Net income	$ 63,232	$ 69,455	$ 65,774	$ 66,296	$ 264,757
Net income attributable to Eaton Vance Corp. shareholders	$ 58,386	$ 54,967	$ 62,899	$ 65,055	$ 241,307
Earnings per Share:					
Basic	$ 0.52	$ 0.50	$ 0.57	$ 0.59	$ 2.20
Diluted	$ 0.50	$ 0.48	$ 0.55	$ 0.57	$ 2.12

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Eaton Vance Corp.:

We have audited the accompanying consolidated balance sheets of Eaton Vance Corp. and subsidiaries (the "Company") as of October 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended October 31, 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Eaton Vance Corp. and subsidiaries as of October 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Boston, Massachusetts
December 20, 2017

Eaton Vance Corp. has filed an Annual Report on Form 10-K with the Securities and Exchange Commission for the 2017 fiscal year. For a copy of the Company's Form 10-K, which is available free of charge to shareholders upon request, or other information regarding the Company, please contact:

Laurie G. Hylton
Vice President and Chief Financial Officer
Eaton Vance Corp.
Two International Place
Boston, MA 02110
(617) 482-8260

The Company's Form 10-K and other information about Eaton Vance Corp. are also available on the Company's website: eatonvance.com. The Company has submitted to the New York Stock Exchange a certificate of the chief executive officer representing that he is not aware of any violation by the Company of New York Stock Exchange corporate governance listing standards.

Transfer Agent and Registrar
Computershare
P.O. Box 505000
Louisville, KY 40233
(877) 282-1168
computershare.com/investor

The Transfer Agent maintains shareholder account records and should be contacted regarding changes in address, name or ownership, lost certificates and consolidation of accounts. When corresponding with the Transfer Agent, shareholders should state the exact name(s) in which their stock is registered and the certificate number, as well as other pertinent account information.

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
200 Berkeley Street
Boston, MA 02116
(617) 437-2000
deloitte.com

Directors

Ann E. Berman [1,2,3]

Thomas E. Faust Jr.

Leo I. Higdon Jr.*[2]

Brian D. Langstraat

Dorothy E. Puhy [1,3]

Winthrop H. Smith Jr. [1,2,3]

Richard A. Spillane Jr. [2,3]

*Lead Independent Director. Board Committees: 1. Audit, 2. Compensation, 3. Nominating and Governance

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Chairman, Chief Executive Officer and President

Jeffrey P. Beale
Vice President and Chief Administrative Officer

Daniel C. Cataldo
Vice President and Treasurer

Laurie G. Hylton
Vice President and Chief Financial Officer

Frederick S. Marius
Vice President, Secretary and Chief Legal Officer

Julie E. Rozen
Vice President and Chief Accounting Officer

Our mission and core values

Eaton Vance strives to be the premier investment management organization.

- We seek to provide clients with superior performance, top-quality service and value-added products across a range of investment disciplines and distribution channels.
- We seek to provide an attractive work environment and fulfilling careers for our dedicated employees.
- Through the success of clients and associates, we thereby seek to build long-term shareholder value.

Integrity

Is honest in word and deed.

Adheres to the company's code of ethics, industry standards of business conduct and applicable law.

Deals fairly and forthrightly with clients, colleagues and business partners.

Professionalism

Demonstrates maturity, dedication and a strong work ethic.

Behaves appropriately; is respectful of clients, colleagues and business partners.

Uses the company's resources wisely.

Teamwork

Works collaboratively with others to achieve shared goals.

Communicates openly and follows through on commitments.

Enhances the work experience of colleagues.

Client Focus

Meets or exceeds client performance expectations.

Places the interests of clients first.

Creativity/Adaptability

Develops business opportunities and process improvements.

Is open and adaptable to change.

Works to achieve personal development.

Excellence

Achieves outstanding results for clients and shareholders.

Advances the record and reputation of Eaton Vance as an industry leader.

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